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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

SWITZERLAND AND LIECHTENSTEIN

This report, prepared for the sixth 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.

Any technical questions arising from this report may be addressed to Mr Mark Koulen (tel. 022 739 5224), Mr Pierre Latrille (tel. 022 739 5266), Ms Katie Waters (tel. 022 739 5067), Mr Michael Kolie (tel. 022 739 5931), and Ms Takako Ikezuki (tel. 022 739 5534).

Document WT/TPR/G/425 contains the policy statements submitted by Switzerland and Liechtenstein.

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SUMMARY

1. Switzerland and Liechtenstein are among the top high-per capita income countries in the world and are very well integrated into international trade. They both benefit from strong democratic institutions, educated populations, and a specialization in value-added production. Their fiscal situation is sound and their unemployment traditionally low. Services account for about three quarters of the Swiss economy. One particularity of the Liechtenstein economy is the importance of manufacturing, representing 40% of GDP in 2019. During the review period, and prior to the COVID 19 pandemic, real GDP growth in Switzerland was positive, ranging from 1.2% in 2019 to 2.9% in 2018. GDP growth in Liechtenstein tends to be more volatile because of the small size of the economy. After three years of real GDP growth, Liechtenstein's GDP contracted by 2.3% in 2019. Because of the COVID 19 pandemic, real GDP growth fell by 2.4% in 2020 in Switzerland, and further in Liechtenstein. Thanks to strong financial buffers and a prompt response by the Governments, the pandemic is not expected to have negative effects on long-term economic prospects.

2. Switzerland has recorded fiscal surpluses in most years since 2016. The application of a debt brake rule has meant that government spending and liabilities remain far below the average OECD level. The impact of the COVID 19 pandemic resulted in a change from a fiscal surplus of 1.3% in 2019 to a fiscal deficit of 2.8% in 2020. In recent years, the Swiss National Bank pursued a very accommodative monetary policy, mainly through a negative interest rate and, where necessary, foreign exchange market interventions. It played an important role in crisis management in the context of the COVID 19 pandemic, for example, by intervening more strongly in foreign exchange markets to counter the upward pressure on the Swiss franc. Issues that have been raised regarding Swiss monetary policy include the increasing difficulty of achieving the price stability objective and the need to address certain structural factors that account for the persistent appreciation pressures faced by the Swiss franc since the 2008-09 financial crisis.

3. While Switzerland and Liechtenstein enjoy favourable economic conditions, they also face similar challenges, including the ageing of the population, low productivity growth, adaptation to digitalization, climate change, and risks posed by high levels of household debt.

4. Switzerland's current account remained in surplus but overall declined steadily between 2016 and 2019 and registered a very sharp decline in 2020. The long-term evolution of the structure of Swiss merchandise exports reveals a growing specialization in certain product sectors that are relatively unaffected by exchange rate movements. Chemical and pharmaceutical products now account for more than half of Swiss merchandise exports. While the trade goods balance reached a record surplus in 2020, the services trade balance continued its long-term decline. Europe continues to account for more than 70% of Swiss merchandise imports and more than 50% of its merchandise exports, although in the long term its share in Swiss merchandise imports and exports has declined somewhat. In the case of Liechtenstein, 78% of merchandise imports (excluding trade with Switzerland) originate in Europe and 61% of merchandise exports (excluding trade with Switzerland) are destined for Europe. Switzerland ranks among the world's top 10 economies in terms of inward and outward foreign direct investment (FDI) stock, with an inward FDI stock that is heavily concentrated in services. FDI inflows to Switzerland have fallen since 2015 and were negative in 2018-20. The recent negative FDI inflows reflect the conduit nature of Switzerland's annual FDI inflows, as FDI in Switzerland is made mainly through intermediate companies in European holding companies.

5. Given the two countries' limited domestic markets and export orientation, trade policy in both is focused on promoting and guaranteeing open markets, with an increased emphasis on sustainable development. Both countries are active members of the WTO, supporting the Buenos Aires Declaration on Women and Trade and participating in the joint statement initiatives (JSIs) on e-commerce, MSMEs, and domestic regulation of trade in services. In addition, Switzerland participates in the JSI on investment facilitation for development. Over the review period, Switzerland was involved in one WTO dispute settlement case as complainant. Both countries maintain a solid record of notifications to the WTO, with those outstanding only in the areas of tariff quotas and domestic support, for both countries, and subsidies for Switzerland. Notifications are also pending for some RTAs.

6. Switzerland and Liechtenstein form a customs union; they have a common currency; and their policies are aligned in various other areas. Both economies are members of the European Free Trade Association (EFTA) under the auspices of which they have concluded an extensive range of RTAs (29

RTAs with 39 economies). Liechtenstein is in a unique position due to its participation in the Customs Union with Switzerland (which covers goods) and its simultaneous membership in the European Economic Area (EEA). Over the review period, new EFTA RTAs entered into force with Georgia, the Philippines, Ecuador, and Indonesia, and existing EFTA RTAs with Israel and Turkey were revised. Switzerland concluded a new RTA with the United Kingdom (with application of goods aspects to Liechtenstein). Another RTA was concluded between EEA-EFTA members and the United Kingdom (with non-goods aspects applying to Liechtenstein)).

7. In May 2021, Switzerland announced its decision not to sign the Institutional Framework Agreement with the European Union, largely due to concerns about wage protection and state aid. Since this Agreement was to encompass and upgrade the extensive set of bilateral agreements in place, the failure to reach agreement on the framework has raised questions about the future of those bilateral agreements, including, for example, the mutual recognition agreement between Switzerland and the European Union-EEA.

8. Both Switzerland and Liechtenstein are open to investment, with few restrictions on FDI, although state monopolies operate in a few areas. The Swiss Federal Council is drafting a law on the control of foreign investments, which will be published for consultations at the end of March 2022.

9. Over the review period, Switzerland and Liechtenstein launched strategies to digitally transform government services and render them more efficient and cost-effective. Switzerland is also taking steps to reform legal and regulatory processes, including through the issuance of new regulatory impact assessment guidelines and the launch of consultations on a new Business Relief Act. Liechtenstein revised its Business Act to introduce simplified registration procedures for certain types of business activity.

10. A major customs reform initiative is ongoing in Switzerland; its objective is to meet future challenges of increased traffic and trade as well as to take advantage of digitalization opportunities. This will result in, inter alia, enhanced customs security measures and the introduction of a fully-fledged single window system (Passar) to replace the existing systems (e-dec and the New Computerized Transit System (NCTS)). Switzerland undertakes customs clearance operations, including the collection of taxes and duties, at Liechtenstein's customs posts on its behalf.

11. The Switzerland-Liechtenstein tariff is fully composed of specific rates. The simple average tariff in 2021 was 7.2% based on AVE estimates. High tariffs prevail on agricultural products (simple average applied tariff of 25.4%, with tariffs ranging from 0% to 671.3%). Highest tariffs apply to out-of-quota imports of fresh or chilled lollo lettuce. Tariff quotas apply to a number of agricultural products, comprising 3.7% of all tariff lines in 2021 (down from 3.8% in 2016). Seasonal tariffs apply to 95 products and are levied mostly on fruits and vegetables produced domestically, and most of which are also subject to tariff quotas. As at the time of the previous Review, applied MFN tariffs may exceed bound rates for certain goods due to fees levied on imports by compulsory stock organizations.

12. During the review period, temporary tariff reductions were granted on certain feed items, medical goods, and textiles and intermediate materials to respond to emergency situations or respond to industry needs. The Swiss Government has announced that all duties on industrial goods will be eliminated on 1 January 2024.

13. As at the time of the previous Review, Switzerland and Liechtenstein apply import and export prohibitions and restrictions largely for reasons of security, health, and protection of the environment. Additionally, some import and export prohibitions are applied related to sanctions. Temporary export controls were introduced between March and June 2020 for certain goods related to the COVID 19 pandemic. Neither Switzerland nor Liechtenstein has any specific legislation on contingency measures; they have no specialized authorities in place to initiate and conduct anti-dumping and countervailing investigations; and they have no anti-dumping, countervailing, or safeguard measures in place.

14. No export taxes or duties are levied. Switzerland Global Enterprise, a private non-profit association mandated by the State Secretariat for Economic Affairs, continues to help SMEs in Switzerland and Liechtenstein to export their products and services; over the review period, it formed new partnerships and expanded its services. Swiss Export Risk Insurance (SERV) continues

to provide export finance and insurance services to companies registered in Switzerland where there is a gap in private-sector provision; in response to the COVID 19 pandemic, it simplified certain processes to assist exporters. Export finance, insurance, and guarantees are provided only by the private sector in Liechtenstein.

15. During the period under review, Switzerland and Liechtenstein implemented new reforms to comply with international standards on corporate income tax. Consequently, the European Union withdrew both countries from its taxation grey list. While competitive corporate tax regimes have been one of the countries' strengths, both Governments raised concerns about the implementation of the future international corporate tax framework. However, they indicated that other features of their economies and additional measures will maintain their attractiveness for companies. Switzerland and Liechtenstein apply similar excise taxes on products causing a risk to human health or to the environment.

16. The mutual recognition agreement (MRA) between Switzerland and the European Union-EEA is based on harmonized technical regulations in 20 sectors. Switzerland regularly supports specific trade concerns (STCs) in the TBT Committee to raise concerns regarding planned or adopted measures of trading partners. Neither Switzerland nor Liechtenstein was subject to an STC during the review period. Liechtenstein follows Swiss and the relevant EU technical regulations, and it does not have its own regulatory mechanism for technical regulations.

17. In June 2017, Switzerland notified to the WTO the framework of legislative acts that entered into force along with its new food legislation, intended to harmonize Swiss law with EU law. Switzerland also applied a new regulation on plant health, which is aligned with the updated EU regulation. Under the Customs Union Treaty, Liechtenstein applies Switzerland's sanitary and phytosanitary measures. No STCs were raised during the review period regarding Switzerland's or Liechtenstein's sanitary and phytosanitary measures.

18. Switzerland amended its Cartel Law by introducing the concept of undertakings with relative market power and a new item on restrictions on procurement and amended the Law Against Unfair Competition by introducing a prohibition on geo-blocking by private parties. As previously, Switzerland's Competition Commission prioritized the fight against hard-core horizontal and vertical cartels as well as market foreclosures. The Government continued to consider the modernization of the Swiss system for merger control. Liechtenstein does not have a national competition law or competition authority, and it is subject to EEA competition rules that are applied by the EFTA Surveillance Authority. During the review period, no competition cases concerning Liechtenstein were referred to the EFTA Surveillance Authority.

19. Switzerland's regime of price surveillance and prevention of abusive pricing by public and private monopolies or enterprises with market power remained unchanged. Under the Law on Price Surveillance, the Price Supervisor is responsible for observing price developments and preventing abusive price increases or abusive price maintenance in any market where the price level is not the consequence of effective competition. At the federal level, Switzerland maintains administrative prices for medicines, electricity, gas, water, basic telecommunications services, airport taxes, and notary services. Liechtenstein maintains price controls on public transport, telecommunications, postal and medical services, and drugs and medical equipment.

20. Alcosuisse's monopoly on the importation of ethanol ended in 2019 with the liberalization of the ethanol market. Switzerland notified the WTO Working Party on State Trading Enterprises in December 2020 that imports of ethanol and spirits are allowed without restrictions and without the need for any permit. The Swiss cantons hold a monopoly on the import and sale of various types of salt. Plans have been announced for the privatization of PostFinance Ltd., a wholly owned subsidiary of Swiss Post, which is one of the five state-owned enterprises in Switzerland that are wholly or majority-owned by the Confederation. There were no major changes regarding state ownership and privatization in Liechtenstein.

21. Amendments to the Swiss Federal Law on Public Procurement and the implementing Ordinance that entered into force in January 2021 aimed to implement the revised Government Procurement Agreement and to achieve more harmonization of federal and cantonal laws on public procurement. The main changes concern the increased emphasis on quality and sustainability aspects of public procurement, the definition of technical terms and scope of application, the regulation of

additional/subsequent procurement, the prevention of corruption, and the introduction of more flexible instruments, such as dialogue, framework agreements, electronic procurement, electronic auctions, and shorter timelines. An important development at the sub-federal level was the adoption and entry into force of a revised Intercantonal Agreement on Government Procurement. Liechtenstein amended its Law on Sectoral Public Procurement and its Law on Public Procurement to implement four EU directives.

22. Switzerland is one of the world's most innovative economies and a net exporter of intellectual property. During the review period, Switzerland took further steps to implement its "Swissness" legislation. It reinforced the protection of the "Swiss Made" designation through amendments to the Federal Law on the Protection of Trademarks and to the Federal Law on the Protection of Coats of Arms and Other Public Signs and by adopting ordinances that extend the scope of the Swissness regulation to additional products, including watches and food products. The Federal Law on Copyright and Related Rights was revised to reflect technological developments and to address online piracy more effectively. In addition to FTAs with comprehensive provisions on intellectual property and an agreement on geographical indications concluded with Georgia, Switzerland became a party to the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications (December 2021), the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (May 2020), and the Beijing Treaty on Audiovisual Performances (May 2020). As a result of the customs union between Switzerland and Liechtenstein, Liechtenstein's intellectual property system is deeply integrated and intertwined with the Swiss intellectual property system. Liechtenstein amended its copyright law to implement two EU directives.

23. Switzerland is a net importer of agricultural and food products. Despite the small size of its agriculture sector, both in terms of its contribution to GDP (0.7% in 2020) and total employment (2.7%), Switzerland places great importance on agriculture due to its multifunctionality in terms of, inter alia, food security, environmental protection, and the maintenance of its cultural landscapes. In 2017, a new article was adopted in the Federal Constitution calling for a guarantee of sufficient food supplies for the Swiss population, in the long term. A complex and comprehensive set of trade instruments, including domestic support and border measures, continues to be implemented, with a view to ensuring the viability of Swiss agriculture. In 2018, the authorities decided to abolish export subsidies for agricultural products, and the related contributions were allocated to eligible producers as a market support measure for cereals and marketed milk. In Liechtenstein, agriculture is marginal, and Switzerland acts on its behalf on Customs Union matters, such as with respect to imports and exports of agricultural products.

24. Switzerland's Energy 2050 Strategy results from a decision taken in the early 2010s to progressively phase out nuclear energy and to promote energy efficiency and the production of renewable energy. To implement the strategy, a completely revised Federal Energy Law entered into force in January 2018 that sets out targets for energy production and consumption, defines energy efficiency standards, and provides incentives for investment in renewable energy production. As part of an Electricity Networks Strategy, a new Federal Law on the Conversion and Expansion of the Electricity Grid was adopted; most of its provisions entered into force in June 2019, and aim to facilitate the development of electricity networks. In 2020, Switzerland updated its Nationally Determined Contribution under the Paris Agreement to commit to reduce greenhouse gas emissions by at least 50% by 2030, compared to 1990 levels, and to achieve climate neutrality by 2050. Following the rejection by the Swiss electorate in June 2021 of a comprehensive revision of the Swiss CO2 Law, the Federal Assembly in December 2021 adopted a partial amendment to temporarily prolong some limited and unchallenged aspects of the CO2 Law during the period 2022-24. A new proposal for a comprehensive revision of the CO2 Law to continue to reduce greenhouse gas submissions beyond this period is currently the subject of consultations. Although Switzerland is closely integrated in the European electricity network, the conditions for electricity trade with the European Union are suboptimal because of the absence of a formal agreement with the European Union.

25. Liechtenstein adopted measures to increase energy efficiency, increase use of renewable energy, and reduce greenhouse gas emissions as part of its Energy Strategy 2020 originally adopted in 2012. In 2020, Liechtenstein adopted a new Energy Strategy 2030 and Energy Vision 2050, the purpose of which is to further increase the use of energy from renewable sources. Liechtenstein's CO2 Law derives directly from the Swiss CO2 Law but differs with respect to the allocation of the revenues from the CO2 tax. In its Nationally Determined Contribution under the Paris Agreement,

Liechtenstein has committed to achieve a reduction of 40% of its greenhouse gas emissions by 2030 compared to 1990 levels.

26. Switzerland and Liechtenstein have strong manufacturing sectors. The contribution to the Swiss economy (in terms of gross value added) of the manufacturing sector increased in recent years. The increase was particularly significant in the largest subsector, chemical and pharmaceutical products. Other prominent subsectors are computers, electronics, watches and clocks; machinery and equipment; and fabricated metals. Within Swiss manufacturing, there is a long term trend towards a growing share of high-end products. The Swiss Federal Council recently reiterated its opposition to the adoption of an industrial policy to support particular industry branches. Liechtenstein's manufacturing sector accounts for a share in GDP and employment far higher than in other developed countries. The sector is very diversified with the most important subsectors being mechanical engineering; vehicle construction; food production; and basic metals and fabricated metals. The Government recently identified research and innovation as a priority in its 2021-25 strategy.

27. Switzerland has a modern telecommunications sector using the latest technologies, including 5G. Prices of telecommunications services remain high by international standards although the gap appears to be narrowing progressively. There were no significant changes in the Swiss telecommunications services market during the review period in terms of the main actors, market shares, foreign ownership, and state ownership. The Swiss telecommunications regulatory framework was updated to adapt it to technological evolutions and to alleviate administrative burdens on operators to facilitate market entry. A comprehensive revision of the Telecommunications Law in 2019 that entered into force in January 2021 introduces many changes, including, for example, the adoption of the principle of Internet neutrality, the abolition of the general notification requirement for all providers of telecommunications services, new and strengthened transparency provisions regarding roaming services, and new methods to measure and publicize the quality of fixed and mobile Internet access.

28. The telecommunications services sector in Liechtenstein is based on a vertical separation regime agreed between the electricity supplier, which owns, operates, and maintains a major part of the fixed communications network, and the major provider of telecommunications services. The main changes made during the review period to the regulatory framework for telecommunications services resulted from the application of EU regulations and directives on telecommunications. These concerned, among other things, roaming services, the introduction of an obligation for the incumbent to offer VoIP wholesale services on non-discriminatory and transparent terms, national voice call termination prices, number portability, and universal service provisions.

29. Switzerland's financial services sector is mature and sophisticated, but its share in GDP has declined since the 2008 financial crisis due to factors such as changes in the international taxation framework and the global wealth management business and low interest rates. In view of this more challenging competitive environment, the Federal Council launched a new strategy for the financial services sector in 2020 that rests on three main pillars: (i) the creation of more favourable conditions for innovation; (ii) the promotion of international interconnectedness and open markets; and (iii) more emphasis on sustainability. The review period witnessed many changes in the general regulatory framework for financial services, with the adoption of the Financial Market Infrastructure Law, which entered into force in 2016, the Financial Services Law and the Financial Institutions Law, which both entered into force in 2020, and changes to legislation in the areas of money laundering and the financing of terrorism. In addition, there were changes in regulations that pertain more specifically to each of the subsectors of the financial services industry. For example, in banking, steps were taken to align Swiss legislation with the Basel III international banking standards.

30. Liechtenstein's financial services sector to a large extent faces the same challenges as the Swiss financial services sector, but its situation differs in two important respects. First, Liechtenstein's EEA membership means that the financial services sector has access to a very large market via passporting. Second, the absence of investment banking from Liechtenstein's financial services sector has made it more resistant to the low interest rate environment. Liechtenstein reinforced its rules on money laundering and terrorist financing and adapted its domestic legislation on banking, asset management companies, and collective investment schemes to implement relevant EU directives. In 2019, Liechtenstein became the first country to adopt comprehensive legislation on trustworthy technology (TT) service providers. The Token and TT Service Provider Law,

which entered into force in January 2020, is autonomous legislation that does not derive from an EEA transposition of the EU acquis.

31. During the period under review, Switzerland continued to improve its road infrastructure to alleviate transit problems. The domestic legal framework for road transport services remained largely unchanged. With respect to railway services, Switzerland continued to align its regime with that of the European Union by implementing key elements of the EU third railway package in 2020 and 2021. These include, inter alia, the creation of an independent body responsible for the allocation of train paths, and the strengthening of passenger rights regarding delays, cancellations, liabilities, and the transport of bicycles. Inland waterways transport, transport on the Rhine, and maritime transport stricto sensu constitute a somewhat important, though often neglected, activity. Registration of seagoing commercial vessels is subject to very strict requirements. A major development was the termination in 2017 of a 60-year-old policy whereby Switzerland was providing federal mortgage guarantees for the construction of Swiss-flagged ships. The air transport industry was severely affected by the economic consequences of the COVID 19 pandemic and was subject to several individual rescue plans for airports, airlines, and auxiliary providers both at the cantonal and federal levels.

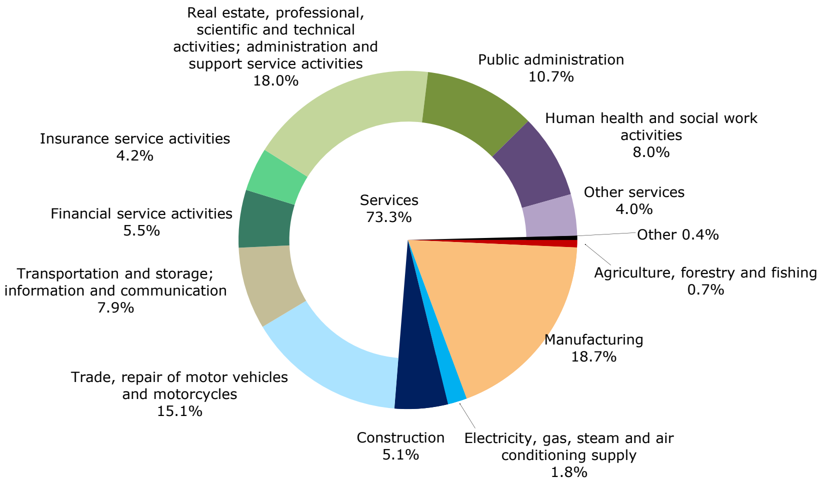
1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1.1 Switzerland

1.1. Switzerland is a high-income country with a population of less than nine million. It enjoys favourable economic conditions, with strong and transparent democratic institutions that support trade and investment. The country ranks high in economic complexity[1], with a specialization in value-added production and an educated population. Main economic sectors are manufacturing (18.7% of GDP in 2020), led by the chemical and pharmaceutical sector; real estate, professional and support service activities (18.0%)[2]; and trade and repair of motor vehicles and motorcycles (15.1%). Aggregated, services account for more than 70% of its GDP (Chart 1.1). There was no major change in the distribution of GDP per economic activity between 2016 and 2020.[3] The economy is managed with fiscal prudence, and the fiscal balance is traditionally in surplus (Table 1.1). Switzerland's unemployment rate is low, below 3.5% during the review period. Trade accounts for over 117% of GDP. The customs union between Switzerland and Liechtenstein is surrounded by the European Union, by far its main trade partner (Section 1.4). Due to Switzerland's close relationship with the European Union, the end of negotiations on the institutional framework agreement (Sections 2.3.2.4 and 3.3.2) raises questions on the definition of their future relationship.

Chart 1.1 Gross domestic product by economic activity for Switzerland, 2020



Note: Percentage of current GDP at basic prices.

Source: State Secretariat for Economic Affairs (SECO), Economic Situation.

1.2. Despite Switzerland being a landlocked country without any significant natural resources, it is well integrated into international trade. According to the 2021 Foreign Economic Policy Strategy, Switzerland is one of the countries that benefit the most from globalization.[4] Most imports and exports (78% and 86%, respectively, in volume) transit by land (railway and road transportation).[5] Switzerland's railway density is the highest in Europe and the 4th worldwide, as the Government intends to favour rail over road transportation.[6] Transport of merchandise by air grew during the

[1] Switzerland ranks 2nd worldwide for economic complexity. Routley, N. (2019), "These Are the Most Complex Economies around the Globe", *WEF*, 2 December. Viewed at: https://www.weforum.org/agenda/2019/12/countries-ranked-by-their-economic-complexity.

[2] Including real estate, legal, accounting, management, architecture, and engineering activities, scientific research and development, scientific and technical activities, and administrative and support service activities.

[3] It can be noted that in constant 2015 prices, the chemical and pharmaceutical sector's share increased from 6% to 8.2% between 2016 and 2020.

[4] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*.

[5] Federal Office for Customs and Border Security (FOCBS), *Means of Transport*. Viewed at: https://www.bazg.admin.ch/bazg/en/home/topics/swiss-foreign-trade-statistics/daten/verkehrsmittel.html.

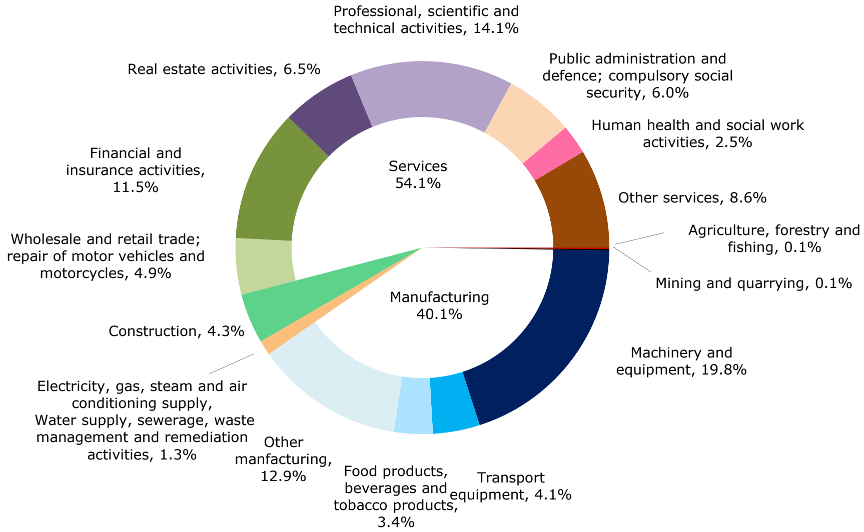
[6] Union des Transports Publics, *Faits et arguments concernant les transports publics suisses 2020-2021*. Viewed at: https://www.voev.ch/fr/Services/Publications/Faits-et-arguments-concernant-les-TP-suisses.

past decade, and half of Switzerland's exportation (in value) leaves the country by air.[7] Switzerland has efficient airport infrastructure, with most of the merchandise trade transiting through the Zurich airport. In 2020, 8% of total trade, notably crude oil and petroleum products, was transported by the Rhine river at the Basel ports.[8] Switzerland tops the 2020 UNCTAD Global E-Commerce Index, thanks not only to very high Internet access and use by its population, but also due to the quality of transportation and postal services allowing for efficient delivery.[9] The Universal Postal Union 2021 report confirmed that Switzerland retained the world's highest score on the Integrated Index for Postal Development.[10]

1.1.2 Liechtenstein

1.3. Liechtenstein is a small country with a total territory of 160 km^2 and a population of less than 40,000. It has one of the highest GDP per capita in the world, second only to Monaco. However, the authorities emphasize that for comparative purposes GDP per capita is of limited relevance due to the large number of inward cross-border commuters (since 2017, there have been more employees than inhabitants). Thus, GDP per employed person in full-time equivalents is seen as a more accurate measure, and was estimated at CHF 186,880 in 2019. Liechtenstein benefits from stable political institutions and an exceptionally low gross public debt in relation to GDP of 0.6%.[11] Its unemployment rate is also exceptionally low, below 2% over the review period. Manufacturing accounts for 40.1% of the GDP in 2019, followed by professional, scientific, and technical activities (14.1%), and financial and insurance activities (11.5%). Services represent 54.1% of the GDP (Chart 1.2). There has been no major change in the distribution of GDP per sector between 2016 and 2019. Manufacturing as a whole gained 2 percentage points while financial and insurance services followed the opposite trend (from 13.3% to 11.5%). As a member of the European Economic Area (EEA), Liechtenstein participates in the single market among the European Union and EEA/EFTA countries, which is designed to provide for the free movement of goods, services, persons, and capital. Liechtenstein and Switzerland share the same currency, the Swiss franc (CHF), and a customs union. All international trade in goods is transported to and from Liechtenstein via the road network.[12]

Chart 1.2 Gross domestic product by economic activity for Liechtenstein, 2019



Note: Percentage of current GDP at basic prices.

Source: Liechtenstein Office of Statistics, eTab. Viewed at: https://etab.llv.li/PXWeb/pxweb/en/eTab/.

[7] FOCBS, *Means of Transport*.
[8] Federal Statistical Office (FSO), *Goods Transport by Air, Water and Pipeline*. Viewed at: https://www.bfs.admin.ch/bfs/en/home/statistics/mobility-transport/goods-transport/air-water-pipeline.html.
[9] UNCTAD (2021), "Switzerland Climbs to Top of Global E-Commerce Index", 17 February.
[10] Universal Postal Union (2021), *Postal Development Report 2021*, October.
[11] Government of the Principality of Liechtenstein (2021), *Economic and Financial Data on Liechtenstein*, data as of 24 June 2021, p. 38. Viewed at: https://www.liechtenstein-institut.li/application/files/3316/3058/6915/Economic-and-financial-data-2021-1-.pdf.
[12] Information provided by the authorities.

1.2 Recent Economic Developments

1.2.1 Switzerland

1.4. During the review period and prior to the COVID-19 pandemic, real GDP growth was positive, ranging from 1.2% to 2.9% from 2016 to 2019. Prior to 2020, the fiscal balance was in surplus. In December 2019, the Federal Department of Economic Affairs, Education and Research (EAER) published a report to evaluate the implementation of the 2016-2019 New Growth Policy. The three pillars of the policy were enhancing productivity, strengthening the resilience of the economy (e.g. enhanced "too-big-to-fail" regulation), and reducing negative externalities of economic growth (e.g. climate and energy policy). Most measures were deemed as either completed or in completion. However, measures on the development of bilateral relations with the European Union were rated as unsuccessful.[13]

1.5. The impact of the COVID-19 pandemic on the Swiss economy led to the biggest drop in GDP per capita registered in decades. However, comparatively, the effects of the COVID-19 pandemic remained contained. Real GDP growth fell by 2.4% compared to 5.9% for the EU-27.[14] Pre-existing financial buffers and sound economic features helped mitigate the impact. In addition to diversification between sectors, the Swiss Foreign Economic Policy Strategy noted that diversification of trade partners is key to avoid supply shortages for a medium-sized economy such as Switzerland (Section 1.4.1).[15] The OECD also noted that high trust in the Government and the highly effective health system enabled less strict lockdowns than in many countries.[16] In December 2021, the Swiss National Bank (SNB) declared that GDP in the third quarter of 2021 had surpassed pre-COVID-19 GDP for the first time since the beginning of the crisis, and the SNB estimated that GDP growth will reach 3.5% in 2021 and 3% in 2022.[17]

1.6. Table 1.1 gives an overview of selected macroeconomic indicators for Switzerland from 2016 to 2020.

Table 1.1 Selected macroeconomic indicators for Switzerland, 2016-20

	2016	2017	2018	2019	2020
Nominal GDP (CHF billion)	685.4	693.7	719.3	727.2	706.2
Nominal GDP (USD billion)	695.9	704.5	735.4	731.9	752.9
Real GDP (percentage change, reference year = 2015)	2.0	1.6	2.9	1.2	-2.4
Nominal GDP per capita (CHF '000)	81.4	81.8	84.2	84.5	81.5
Nominal GDP per capita (USD '000)	82.6	83.0	86.1	85.0	86.8
Population (million)[a]	8.4	8.5	8.5	8.6	8.7
Unemployment rate (annual average, %)	3.3	3.1	2.6	2.3	3.1
Men	3.5	3.2	2.6	2.4	3.3
Women	3.1	2.9	2.5	2.2	3.0
General government finances (% of GDP)[b]					
Revenue	32.3	33.1	32.6	32.8	33.6
Expenditure	32.1	32.0	31.3	31.5	36.5
Overall fiscal balance	0.2	1.1	1.3	1.3	-2.8
Gross debt ratio as defined by the IMF	40.5	41.2	39.3	39.8	42.4
Debt ratio (Maastricht)	27.4	27.7	25.8	25.9	27.8
Tax-to-GDP ratio					
General government	26.7	27.4	26.9	27.3	27.7
Confederation	9.3	9.9	9.6	9.8	9.2
Cantons	6.7	6.7	6.7	6.9	7.1
Municipalities	4.2	4.2	4.2	4.2	4.4
Social security funds	6.5	6.5	6.4	6.5	6.9
Money and credit					
CPI (percentage change)	-0.43	0.53	0.94	0.36	-0.73

[13] EAER (2019), *Rapport final du DEFR sur l'état de mise en œuvre de la politique de croissance 2016-2019*, 6 December 2019.
[14] Eurostat, *Real GDP Growth Rate – Volume*. Viewed at: https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en.
[15] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*, p. 39.
[16] OECD (2022), *OECD Economic Surveys: Switzerland 2022*, p. 10.
[17] SNB (2021), *Bulletin trimestriel Q4 2021*, p. 5.

	2016	2017	2018	2019	2020
Broad money (M3, percentage change, end of period)	3.08	3.54	3.16	0.78	6.47
Yield on government bonds – 10 years (%)[c]	-0.36	-0.07	0.03	-0.49	-0.52
External sector					
CHF/EUR (period average)	1.09	1.11	1.15	1.11	1.07
CHF/USD (period average)	0.99	0.98	0.98	0.99	0.94
Nominal exchange rate index[d]	158	157	156	159	169
Real exchange rate index[d]	116	114	111	112	116
Current account (% of GDP)	8.0	6.3	6.1	5.4	2.8
Trade (goods and services, based on BoP) (% of GDP)	120.6	120.5	121.0	120.1	117.5
External debt (% GDP)	267.1	279.6	254.6	266.4	280.2
Total reserves (includes gold, USD billion)	679.6	812.2	788.3	853.5	1,082.8

n.a. Not applicable.

a Permanent resident population at the end of the period.
b Based on Government Finance Statistics model. 2020 forecast.
c Annual average calculated on the basis of monthly data.
d Trade-weighted against 54 trading partners, January 2000 = 100. An increase means appreciation of the Swiss franc.

Source: Federal Finance Administration (FFA), Data. Viewed at: https://www.efv.admin.ch/efv/en/home.html; SNB, Statistics. Viewed at: https://www.snb.ch/en/; and SECO, Economic Situation. Viewed at: https://www.seco.admin.ch/seco/en/home.html.

1.7. Thus, the economy had favourable pre-existing conditions to weather the worldwide disruption brought by the COVID-19 pandemic. The Government's prompt response also contributed to this overall positive assessment. In its latest Article IV Consultation Report on Switzerland, the International Monetary Fund (IMF) commended the Government's early, strong, and sustained response.[18] For 2020, the Confederation approved a total of expenditure and guarantees of 10% of GDP[19], mostly aiming at avoiding job losses, and maintaining employees' wages and companies' liquidity. In practice, actual support was below the maximum approved support, and totalled CHF 15 billion in expenditure and CHF 17.5 billion in guarantees.[20] Specific sectors particularly hit by the pandemic benefited from targeted measures: professional and mass sports, culture, print media, public transport, aviation, and tourism.[21] Cantons also granted additional support measures such as funding short-time work, loan guarantees, interest-free loans, or granting more flexibility to pay utility fees.[22] Together, cantons' and communes' pandemic-related expenditures totalled CHF 3 billion for 2020.[23] For the year 2021, the Confederation did not grant support in the form of sureties and guarantees but only through expenditures, which amounted to CHF 14 billion.[24]

1.8. The authorities indicate that the New Growth Policy for 2016-2019 was the last policy of this sort (the first New Growth Policy was introduced for the period 2004-2007). Alternatively, the Federal Council published in May 2021 its "normalization strategy" based on three phases: progressive waiving of extraordinary economic stabilization measures until April 2022; maintaining measures helping companies and individuals adapt to structural economic changes (e.g. support innovation, promote targeted tourism activities); and fostering sustainable growth enablers and revitalize the economy (e.g. digitalization, climate regulation, less administrative burden).[25] The third phase intends to ensure long-term recovery of the economy after the COVID-19 pandemic. In

[18] IMF (2021), *Switzerland: Staff Report for the 2021 Article IV Consultation*, IMF Country Report No. 21/130, p. 23.
[19] Based on GDP for 2020.
[20] FFA, *Covid-19: Impact on Federal Finances,* as of February 2022. Viewed at: https://www.efv.admin.ch/efv/en/home/aktuell/brennpunkt/covid19.html.
[21] EAER and Federal Department of Finance, *Federal Measures for the Economy*. Viewed at: https://covid19.easygov.swiss/en/federal-measures/. Agriculture also benefited from specific measures, which are detailed in Section 4.1, but support granted was marginal.
[22] Radio Télévision Suisse (RTS) (2020), The French Speaking Cantons Take Measures to Help Their Economy", 18 March.
[23] Federal Department of Finance (2021*), 2021 Report on the Long-Term Sustainability of Public Finances in Switzerland*, p. 19.
[24] FFA, *Covid-19: Impact on Federal Finances,* as of February 2022.
[25] SECO (2021), "Coronavirus: The Federal Council Plans to Normalize Economic Policy", 26 May. Viewed at: https://www.seco.admin.ch/seco/fr/home/seco/nsb-news.msg-id-83685.html.

February 2022, the Government published a report on the strengthening of the Swiss economic position. In order to secure the recovery of the entire economy in the long term and increase growth potential, the Federal Council aims to: (i) promote external openness; (ii) strengthen and improve the quality of the labour force; (iii) facilitate entrepreneurship and innovation; (iv) improve the competitive dynamics of the internal market; (v) further optimize the tax system and ensure sound public finances; and (vi) contribute to decarbonization through climate policy.[26]

1.2.2 Liechtenstein

1.9. After three years of real GDP growth, Liechtenstein's GDP contracted by 2.3% in 2019 and further in 2020.[27] Compared to Switzerland's economy, Liechtenstein's is more sensitive to international shocks due to the small size of the economy, where domestic demand is unable to act as a buffer against international shocks[28], and thus real GDP growth is more volatile. Liechtenstein has a structural trade balance surplus for goods (Tables A1.5 and A1.6). Even if direct exports decreased from around CHF 3.3 billion in 2016 to CHF 2.8 billion in 2020, imports also contracted from around CHF 1.8 billion to CHF 1.6 billion (excluding exports and imports between Liechtenstein and Switzerland, and trade in gold bars, other precious metals, coins, precious and semi-precious stones, and works of arts and antiques).[29] Table 1.2 provides information on selected macroeconomic indicators for Liechtenstein.

Table 1.2 Selected macroeconomic indicators for Liechtenstein, 2016-20

	2016	2017	2018	2019	2020
Nominal GDP (CHF million)[a]	6,146.2	6,375.2	6,544.6	6,387.4	5,741
GDP (USD million)[a]	6,239.5	6,474.8	6,691.5	6,428.2	6,120
Real GDP growth (percentage change)	2.5	4.1	1.9	-2.3	..
GNI per inhabitant (CHF 1,000)	156.4	175.1	176.9	161.6	..
Population (No. '000)	37.8	38.1	38.4	38.7	39.1
Unemployment rate in %	2.3	1.9	1.7	1.5	1.9
Females	2.3	2.0	1.9	1.7	2.0
Males	2.3	1.8	1.5	1.5	1.8
CPI[b]	-0.4	0.5	0.9	0.4	-0.7
Public finance (% of GDP)					
Revenue	23.9	23.4	23.8	25.5	..
Expenditure	20.7	20.5	20.4	21.8	..
Net lending (+)/ net borrowing (-)	3.2	2.9	3.4	3.7	..

.. Not available.

a Information provided by the authorities, based on estimated GDP for 2020. Viewed at: https://www.llv.li/files/as/schaetzrechnung_bip_2020.pdf. CHF/USD exchange rate was applied.

b Government of the Principality of Liechtenstein (2021), *Economic and Financial Data on Liechtenstein*, data as of 24 June 2021. Viewed at: https://www.liechtenstein-institut.li/application/files/3316/3058/6915/Economic-and-financial-data-2021-1-.pdf.

Source: Liechtenstein Office of Statistics, *eTab*.

1.2.2.1 Fiscal policy

1.10. Switzerland has recorded fiscal surpluses in most years since 2016 (Table 1.1), as government spending and financial liabilities have remained far below the average OECD level.[30] The debt ratio as defined in the Maastricht criteria stood at 27.4% in 2016 and 27.8% in 2019 (Table 1.1). A key element in Switzerland's fiscal policy in recent years has been the application of a "debt brake" rule[31] at the federal level and similar fiscal rules by the cantons to control the rise of public debt.[32] Both the OECD and the IMF have suggested that in practice the debt brake rule tends to skew policy to being tighter than intended and that there is scope to make greater use of the available fiscal space

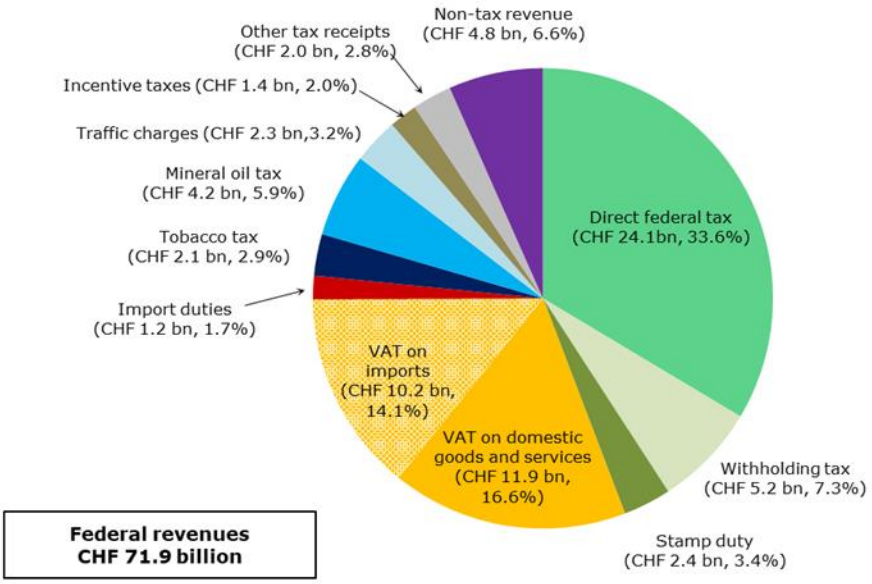
[26] Federal Council (2022), *Renforcement de la place économique suisse*.
[27] For 2020, GDP change in nominal terms is estimated to be -10.1%.
[28] Brunhart, A. and Geiger, M. (2020), "The Implications of the Covid-19 Pandemic for the Liechtenstein Economy", in Liechtenstein Institute's *Financial Stability Report 2020*.
[29] Government of the Principality of Liechtenstein (2021), *Economic and Financial Data on Liechtenstein*, data as of 24 June 2021.
[30] OECD (2019), *OECD Economic Surveys: Switzerland*, pp. 25-26.
[31] Federal Department of Finance, *The Debt Brake*. Viewed at: https://www.efd.admin.ch/efd/en/home/finanzpolitik/the-debt-brake.html.
[32] OECD (2019), *OECD Economic Surveys: Switzerland*, p. 26.

to support the economy and achieve a better balance between monetary and fiscal policy.[33] The COVID-19 pandemic has had a significant impact on public finances, as evidenced by the change from a fiscal surplus of 1.3% in 2019 to a fiscal deficit of 2.8% in 2020.

1.11. In 2020, direct federal tax accounted for one third of federal revenues, followed by VAT on domestic goods and services (16.6%) and VAT on imports (14.1%) (Chart 1.3). Import duties account for 1.7% of federal revenues. It is noteworthy that while the share of agriculture in total imports is only 5%, agricultural products generated 57% of customs duties levied in 2020.[34]

Chart 1.3 Federal revenues, 2020

(CHF billion, % of total revenues)



Source: WTO Secretariat calculations, based on data from the FFA and Federal Department of Finance.

1.12. Switzerland's tax-to-GDP ratio (Table 1.1) is significantly below the OECD average. In 2020, Switzerland ranked 31st out of the OECD members with respect to the tax-to-GDP ratio. The tax structure also differs from the OECD average in that it is characterized by: (i) higher revenues from taxes on personal income, profits, and gains; taxes on corporate income and gains; and property taxes; (ii) a lower proportion of revenues from social security contributions, value added taxes, and goods and services; and (iii) no revenues from payroll taxes.

1.13. According to a recent report, government expenditures rose from 32% of GDP in 2019 to 35% of GDP in 2020 and 2021 due to the COVID-19 crisis.[35] More than 80% of the COVID-19-related additional expenditures were borne by the Federal Government. While this ratio will fall in the short term to the same level as in 2019, in the long term government expenditure is expected to increase to 35% as a consequence of demographic changes that will involve greater expenditures on old-age and survivors insurance, disability insurance, healthcare, long-term care, and education.[36]

1.2.2.2 Monetary policy and exchange rate

1.14. The constitutional mandate of the SNB is to conduct monetary policy in the interest of the country as a whole. The National Bank Act requires the SNB to ensure price stability while taking due account of economic developments. To implement this mandate, the key elements of the SNB's

[33] OECD (2019), *OECD Economic Surveys: Switzerland*, pp. 26-27; and IMF Country Report No. 21/130, p. 12.

[34] Federal Customs Administration (FCA) (2021), *Swiss Foreign Trade in 2020*, p. 35.

[35] The figures in this report on government expenditures as a percentage of GDP are calculated on the basis of a model that differs from the model used to calculate the data on government expenditures in Table 1.1.

[36] Federal Department of Finance (2021), *2021 Report on the Long-Term Sustainability of Public Finances in Switzerland*.

monetary policy strategy are a definition of price stability, a conditional inflation forecast, and the SNB policy rate. Price stability is defined as a rise in the Swiss consumer price index (CPI) of less than 2% per year. To ensure price stability, the SNB uses its monetary policy operations to influence the interest rate environment. The inflation forecast, which is published quarterly by the SNB, pertains to the three subsequent years and reflects the medium-term focus of monetary policy. While the inflation forecast is the main indicator informing the SNB's monetary policy decisions, the SNB also takes into consideration other indicators of domestic and international economic and monetary developments and of financial stability.[37] The SNB determines the level of the SNB policy rate, which it uses to communicate its monetary policy decisions and aims to keep the secured short-term money market rates close to the SNB policy rate.[38]

1.15. Since January 2015, the SNB has implemented monetary policy primarily through a negative interest rate applied to sight deposits held by banks and other financial market participants at the SNB[39], which has been kept at -0.75%, and foreign exchange market interventions, where necessary.[40] In the latter regard, Switzerland considers that the SNB's foreign exchange market interventions are necessary to create the appropriate monetary conditions that ensure price stability and rejects the accusation that Switzerland is a "currency manipulator", as that term is used in reports by the U.S. Treasury on foreign exchange policies of major trading partners. According to the SNB, although price stability as the fundamental objective of independent monetary policy requires flexible exchange rates, in a small open economy such as Switzerland exchange rate movements must be considered in the conduct of monetary policy because of their impact on inflation and the economy. A key issue for Switzerland in this regard is the impact of appreciation of the Swiss franc when domestic and foreign investors use the franc as a haven in times of uncertainty.[41]

1.16. In 2020, the COVID-19 pandemic created challenges for monetary policy because of the economic downturn, negative inflation[42], and the strong upward pressure on the Swiss franc. The SNB points out that its contribution to crisis management in the context of the COVID-19 pandemic has consisted of three main elements. First, the SNB countered the upward pressure on the Swiss franc by intervening more strongly in the foreign exchange market[43] and by keeping the SNB policy rate and the negative interest rate on sight deposits unchanged. Second, the low interest levels created favourable financing conditions for Swiss business and the public sector. Third, the SNB took measures to support the supply of credit and liquidity to the economy by increasing banks' latitude for lending. This involved the creation of the SNB COVID-19 refinancing facility (CRF)[44], the deactivation of the countercyclical capital buffer (CCyB)[45], and the increase of the thresholds above which sight deposits are subject to the negative interest rate.[46] In March 2020, the SNB also participated in the standing swap arrangements with the U.S. Federal Reserve to enhance the provision of US dollar liquidity.

1.17. The SNB maintained its very accommodative monetary policy in 2021, continuing to rely on the negative interest rate and foreign exchange market interventions as key monetary policy

[37] The SNB's inflation forecast is conditional in the sense that it reflects how the SNB expects prices to evolve, assuming an unchanged interest rate.

[38] SNB (2021), *Annual Report 2020*, pp. 23-24.

[39] The negative interest rate applies to deposits that exceed certain exemption thresholds. The rules on the exemption thresholds were revised in November 2019. SNB (2021), *Annual Report 2020*, pp. 66, 69-70.

[40] Switzerland's *de jure* exchange rate arrangement is free floating. In 2020, the IMF reclassified the *de facto* exchange rate from floating to crawl-like. IMF Country Report No. 21/130, Informational Annex, p. 3. For classification as a crawl-like arrangement, the exchange rate must remain within a narrow margin of 2% relative to a statistically identified trend for six months or more (except for a specified number of outliers). IMF, *Exchange Rate Classification Methodology*. Viewed at: https://www.elibrary-areaer.imf.org/Pages/ERClassifcation.aspx.

[41] SNB (2021), *Annual Report 2020*, p. 24.

[42] As measured by the CPI, inflation fell from 0.4% in 2019 to -0.7% in 2020. The core inflation rate fell from 0.4% in 2019 to 0.1% in 2020.

[43] In 2020, the SNB purchased foreign exchange worth CHF 110 billion.

[44] The CRF was introduced in March 2020 to allow banks to provide COVID-19 loans to businesses at an interest rate of 0%. The CRF allowed banks to obtain liquidity at the SNB policy rate of -0.75%, with federally guaranteed COVID-19 loans serving as collateral. The CRF was expanded in May 2020. SNB (2021), *Annual Report 2020*, pp. 70-71. The CRF is still operational, with the number of loans refinanced at the SNB gradually declining as firms repay COVID-19 loans taken out in 2020.

[45] After consulting with the Swiss Financial Market Supervisory Authority, the SNB submitted a proposal to the Federal Council to deactivate the CCyB, which was accepted.

[46] SNB (2021), *Annual Report 2020*, pp. 13, 47-48.

instruments. In September 2021, the SNB's conditional inflation forecast was 0.5% for 2021, 0.7% for 2022, and 0.6% for 2023.[47] Its recent quarterly monetary policy assessments provide that:

> The SNB is maintaining its expansionary monetary policy with a view to ensuring price stability and providing ongoing support to the Swiss economy in its recovery from the impact of the coronavirus pandemic. It is keeping the SNB policy rate and interest rate on sight deposits at the SNB at -0.75%, and remains willing to intervene in the foreign exchange market as necessary, to counter upward pressure on the Swiss franc. In so doing, it takes the overall currency situation into consideration. The Swiss franc remains highly valued.[48]

1.18. In its June 2021 Article IV Consultation Report, the IMF agrees that the SNB is rightly keeping monetary policy accommodative, particularly in light of expected prolonged negative or very low inflation rates.[49] The IMF raises two issues with respect to Swiss monetary policy. First, following the COVID-19 pandemic it may be increasingly difficult for the SNB to achieve its price stability objective as the pandemic may have worsened the long-standing challenge of low inflation. In this regard, the IMF suggests there may be a need to review the SNB's monetary policy framework to consider the possible need for new instruments to achieve price stability.[50] Second, the appreciation pressures on the Swiss franc that have been persistent since the 2008-09 global financial crisis should be eased "in a fundamental way" by addressing certain structural factors, notably the limited outflows of private investment due to several factors contributing to "home bias" and the fact that Swiss firms do not tap domestic savings.[51]

1.19. The Swiss franc appreciated in 2020 in nominal and real effective exchange rate terms by 6% and 4%, respectively (Table 1.1).[52] Because inflation was lower in Switzerland than in many of its trading partners, the Swiss franc appreciated less strongly in real terms than in nominal terms.

1.20. As noted in the previous Review, foreign exchange interventions undertaken by the SNB to prevent appreciation of the Swiss franc from undermining price stability have resulted in a large increase in currency reserves since the financial crisis.[53] This trend continued during the review period.[54] The total level of currency reserves increased from CHF 603 billion at the end of 2015 to CHF 962 billion at the end of 2020[55], principally because of purchases of foreign currencies.

1.2.2.3 Balance of payments

1.21. Switzerland's current account is traditionally in surplus but has been on a downward trend since the end of the global financial crisis, with substantial year-to-year fluctuations. A wide range of factors have contributed to such year-to-year fluctuations, often with offsetting effects, including commodity trading, financial and insurance activities, and net FDI earnings affected by headquarters of large multinationals as well as by numerous finance and holding companies.[56] In the last few years, a decline in investment income, particularly of net FDI earnings, contributed to the lower current account balance. Certain subcomponents of goods trade (e.g. pharmaceuticals and gold) and services trade can also lead to important fluctuations in the current account.

1.22. During the period covered by the present Review, the current account remained in surplus but overall declined steadily between 2016 and 2019 and registered a very sharp decline from 2019

[47] SNB (2021), "Monetary Policy Assessment of 23 September 2021: Swiss National Bank Maintains Expansionary Monetary Policy", p. 1.
[48] SNB (2021), "Monetary Policy Assessment of 17 June 2021: Swiss National Bank Maintains Expansionary Monetary Policy", p. 1; SNB (2021), "Monetary Policy Assessment of 23 September 2021: Swiss National Bank Maintains Expansionary Monetary Policy", p. 1; and SNB (2021), *Quarterly Bulletin*, Vol. 39, No. 3, September.
[49] IMF Country Report No. 21/130, pp. 14-15.
[50] IMF Country Report No. 21/130, pp. 15-16.
[51] IMF Country Report No. 21/130, pp. 16-17.
[52] For a recent publication by the SNB of a comprehensive set of tables and charts of exchange rate developments see: https://data.snb.ch/en/publishingSet/WKI.
[53] WTO document WT/TPR/S/355/Rev.1, 22 September 2017, para. 1.15.
[54] See also IMF (2019), *Switzerland-Selected Issues*, IMF Country Report No. 19/181.
[55] SNB (2017), *Annual Report 2016*, p. 78; and SNB (2021), *Annual Report 2020*, p. 92.
[56] WTO document, WT/TPR/S/355/Rev.1, 22 September 2017, para. 1.15.

to 2020 (Table 1.3). While the surplus on the goods balance[57] increased during most of the period, primary income played an important role in the decline in the current account balance between 2016 and 2019, particularly as a result of the decline in net FDI income. Services and secondary income also contributed to the recent decline in the current account surplus but to a lesser extent. The sharp decline in the current account in 2020 was more broadly based and, in addition to the deficit on the primary and secondary income balances[58], also reflected changes in the goods and services balances.

1.23. The Swiss capital account showed substantial fluctuations during the review period (Table 1.3). The capital account reports transactions involving non-produced and non-financial assets (e.g. IP rights) as well as other transfers (e.g. debt reduction measures, settlements). The fluctuations in the Swiss capital account represent such one-off transactions.

Table 1.3 Balance of payments, 2016-20[a]

(CHF billion)

	2016	2017	2018	2019	2020
Current account	54.8	43.4	43.8	39.5	19.9
Goods (net)	60.7	63.5	70.7	70.8	58.2
Receipts	322.1	323.6	338.0	340.5	330.2
Expenses	261.4	260.1	267.3	269.7	271.9
Services (net)	4.3	-2.0	4.2	0.8	-9.3
Receipts	123.8	125.0	134.6	132.2	109.3
Expenses	119.5	127.0	130.3	131.4	118.6
Primary income (net)	-0.7	-5.0	-22.2	-19.8	-13.3
Receipts	145.4	169.8	175.4	177.0	136.2
Expenses	146.1	174.8	197.6	196.9	149.4
Labour income	-23.2	-24.0	-24.6	-25.7	-24.8
Receipts	2.5	2.6	2.5	2.5	2.8
Expenses	25.7	26.5	27.1	28.2	27.5
Investment income	22.5	18.9	2.4	5.9	11.5
Receipts	142.9	167.2	172.9	174.5	133.4
Expenses	120.4	148.3	170.5	168.7	121.9
Secondary income (net)	-9.4	-13.0	-9.0	-12.2	-15.8
Receipts	42.2	47.7	43.8	46.9	44.7
Expenses	51.7	60.7	52.8	59.1	60.4
Capital account (net)	-4.7	1.1	14.1	-2.4	0.5
Receipts	3.7	2.1	17.6	14.8	1.0
Expenses	8.4	1.0	3.4	17.2	0.4
Financial account (excluding derivatives)	63.8	24.0	79.7	52.0	39.5
Net acquisition of financial assets	251.1	125.6	-134.7	51.9	-79.1
Net incurrence of liabilities	187.3	101.5	-214.5	-0.1	-118.6
Direct investment (net)	16.1	-87.9	123.9	49.3	118.8
Net acquisition of financial assets	180.6	54.5	-33.5	58.0	-126.3
Net incurrence of liabilities	164.6	142.4	-157.4	8.6	-245.2
Portfolio investment (net)	5.2	26.3	10.0	5.5	30.8
Net acquisition of financial assets	-0.5	-11.8	-12.4	0.1	24.0
Net incurrence of liabilities	-5.8	-38.1	-22.4	-5.4	-6.8
Other investment (net)	-34.6	24.3	-67.7	-18.8	-226.9
Net acquisition of financial assets	-6.1	21.5	-102.3	-22.1	-93.5
Net incurrence of liabilities	28.5	-2.8	-34.6	-3.3	133.4
Reserve assets (net)	77.1	61.4	13.5	16.0	116.7
Derivatives (net)	7.8	-1.5	4.1	2.3	-9.4
Statistical difference	21.4	-22.0	25.9	17.2	9.6

a Including Liechtenstein.

Source: SNB, *Swiss Balance of Payments*. Viewed at: https://data.snb.ch/en/topics/aube#!/cube/bopovera.

[57] As discussed in the Report prepared for the previous Review, a peculiar characteristic of Swiss balance on trade in goods, as recorded in balance-of-payments statistics, is the importance of merchanting, i.e. "the purchase of goods in other economies and the subsequent resale of the same goods to another economy without the goods being imported into or exported from Switzerland/Liechtenstein". SNB, *Notes – Balance of Payments and International Investment Position*. Viewed at: https://data.snb.ch/en/topics/aube#!/doc/explanations_aube_bopauverm#tranha.

[58] The authorities note that secondary income traditionally drives the current account balance downward and is a volatile component of the current account; in this regard, the developments over recent years do not deviate substantially from the historical norm.

1.3 Structural Challenges

1.3.1 Switzerland

1.24. Despite an overall robust economy, Switzerland faces some structural challenges. Low productivity growth, adaptation to digitalization, the ageing of the population, climate change, and household debt could have impacts in the near to long term.

1.25. Switzerland is a "high price island" due to remaining restrictions on the openness of the economy and a high purchasing power.[59] Prices are on average 59% higher than in the European Union.[60] This situation leads to a substantial "*tourisme d'achat*" whereby Swiss consumers prefer to buy in neighbouring countries. Estimates set this loss for Swiss companies at CHF 11 billion per year in food purchases alone.[61] In 2019, the Federal Council acknowledged that competition in the domestic market and external openness of the economy were among the economy's weaknesses.[62] The 2021 Foreign Economic Policy Strategy confirmed that open markets allow consumers to access a more diverse range of products and take advantage of lower prices. Greater trade integration with the European Union was supposed to counter the high prices phenomenon, thanks to the Cassis de Dijon principle (Section 3.3.2) and through lower tariff barriers.[63] In 2017, a popular initiative "Against the high-prices island – For fair prices" was proposed to counter abuses of dominant position and restrictions on competition. The initiative was ultimately withdrawn in favour of the counter project approved by the Federal Assembly in 2021 (Section 3.3.4.1).

1.26. Openness and fair competition are also leverages for productivity.[64] One of Switzerland's main strengths is its high level of productivity and innovation (Section 3.3.7.1). Over the review period, Switzerland maintained its ranking as the most innovative country in the world from the Global Innovation Index[65], and tertiary attainment has continued to grow.[66] According to the International Labour Organization, Switzerland ranks 8th worldwide for labour productivity.[67] However, low productivity growth is perceived as a source of concern. For the period 2010-18, Switzerland's rank on labour productivity growth was 25th out of 36 member States examined by the OECD.[68] The 2019 Report of the Federal Council on the Swiss Economy noted that other countries have been catching up on productivity while the contribution of labour productivity to growth has diminished. The association of research-based pharmaceutical companies in Switzerland echoed this concern in its 2021 report, acknowledging that while labour productivity in the pharmaceutical industry has increased substantially in the past 25 years, other countries were becoming stronger competitors. According to the report, the COVID-19 pandemic will increase competition even further.[69] In February 2022, the Federal Council's report on strengthening the Swiss economic position noted that measures taken to foster a dynamic competition in the domestic market should increase Swiss companies' productivity growth.[70]

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[59] SECO, *Suppression of Tariffs on Industrial Products*. Viewed at: https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Warenverkehr/Tarifpolitik/Aufhebung_Industriezoelle.html.

[60] Federal Statistical Office, *Price Level Indices*. Viewed at: https://www.bfs.admin.ch/bfs/en/home/statistics/prices/international-price-comparisons/price-level-indices.html.

[61] Gebhard, C.-A. (2021), "Food Tourism: Good or Bad for the Economy?" (in French), *Le Temps*, 2 November.

[62] SECO (2019), *Report of the Federal Council on the Swiss Economy*, 6 December, p. 35.

[63] Fedlex, FF 2019 4665, p. 4683.

[64] SECO (2019), *Report of the Federal Council on the Swiss Economy*, 6 December, p. 22.

[65] The INSEAD GII measures 132 economies around the world using indicators, including the quality of universities and the availability of microfinance and venture capital, to gauge innovation capabilities and measurable results. INSEAD, *Global Innovation Index*. Viewed at: https://knowledge.insead.edu/entrepreneurship-innovation/global-innovation-index-2930.

[66] Tertiary attainment in population aged 25 to 64 has increased steadily since 2013 from 37% to 45% in 2020. OECD, *Country Statistical Profile: Switzerland 2021*.

[67] ILO, *Statistics on Labour Productivity*. Viewed at: https://ilostat.ilo.org/topics/labour-productivity/.

[68] In constant Purchasing Power Parity (PPP). SECO (2019), *Report of the Federal Council on the Swiss Economy*, 6 December 2019, p. 12.

[69] BAK Economics AG, *Study on Behalf of Interpharma on the Importance of the Pharmaceutical Industry for Switzerland*, December 2021.

[70] Federal Council (2022), *Renforcement de la place économique suisse*.

1.27. Ensuring that Swiss companies not only manage the digital transformation of the economy but are proactive and lead this transformation, thanks to skilled and productive workers, will be critical for maintaining the current productivity rankings. Conscious that leading economies in the 21st century will have taken advantage of digitalization, Switzerland was early engaged in innovative sectors such as FinTech and cryptocurrency (Section 4.4.2.7).[71] On average, 15% of annual GDP growth over the past 20 years has been attributable to investment in information and communication technologies (ICT).[72] In 2016, Switzerland unveiled the Digital Switzerland Strategy, which is to be renewed every two years. It aims, *inter alia*, at fostering the economy's attractiveness by adopting a proactive approach towards digitalization and putting in place favourable conditions for digital innovation and providing the conditions to help Swiss companies become leaders in ICT adoption.[73] Nevertheless, the OECD noted in 2019 that Swiss firms were slower to adopt digital technology than in leading countries and that there had been shortages of IT skills among the Swiss work force.[74] In late 2021, the private sector deplored labour shortages in engineering and cybersecurity especially.[75]

1.28. The ageing of the population represents a looming challenge for productivity and for the Government's fiscal balance. Between 2013 and 2020 in Switzerland, the proportion of young people below 15 years old stagnated from 14.9% to 15.0%, whereas the proportion for people aged 65 and above increased from 17.5% to 18.7%.[76] The IMF in 2021 strongly recommended implementing new pension reforms.[77] In 2021, the Federal Assembly approved increasing the retirement age for women to 65, similar to that for men. But the consequences of an ageing population on the economy and on public spending will be substantial and other measures on pension reforms were being considered at the time of writing.[78]

1.29. In 2021, the Government published a report on the long-term sustainability of public finances in Switzerland, in which it established several scenarios under the assumption that no political measures were taken. In the positive scenario, demographic-dependent expenditure for the general government increases from 17.2% of GDP in 2019 to 20.1% in 2050 (20.4% in the negative scenario). Consequently, the Maastricht debt ratio would rise from 25.9% of GDP in 2019 to just over 45% over the projection horizon in the positive scenario (51.2% in the negative scenario), with cantons' and communes' debt ratio reporting the main increases. The report, from the Federal Department of Finance, concluded that new reforms will be needed by no later than the beginning of the 2030s.[79]

1.30. According to the Federal Department of Finance, climate change is likely the greatest long-term challenge for Switzerland aside from the ageing of the population.[80] Even if Switzerland is not among the countries most vulnerable to climate change[81], it will still be impacted by its consequences and the Government indicates that in no way does it lessen its duty to contribute to international efforts to contain climate change.[82] In 2017, a country-wide study highlighted negative impacts of climate change on agriculture and forestry, as well as on productivity of workers in major urban areas, among others.[83] Impacts on the economy as a whole are difficult to assess, however, in 2020, the Federal Office for the Environment mentioned one estimate of a 12% reduction in Swiss GDP by the end of the century if worldwide CO_2 emissions are not curbed.[84] In its 2021 Article IV

[71] OECD (2019), *OECD Economic Surveys: Switzerland 2019*, p. 21.
[72] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*.
[73] Federal Council, *Digital Switzerland Strategy.* Viewed at: https://www.digitaldialog.swiss/fr/champs-d-action/economie.
[74] OECD (2019), *OECD Economic Surveys: Switzerland 2019*, p. 4.
[75] RTS (2021), "The Need for Labour Is Increasing Sharply in Switzerland", 25 November. Viewed at: https://www.rts.ch/info/economie/12668661-le-besoin-de-maindoeuvre-augmente-fortement-en-suisse.html.
[76] OECD, *Country Statistical Profile: Switzerland 2021*.
[77] IMF Country Report No. 21/130.
[78] *Swissinfo* (2021), "Pension Reform Passes in Parliament but Set to Be Challenged to Vote", 15 December.
[79] Federal Department of Finance (2021), *2021 Report on the Long-Term Sustainability of Public Finances in Switzerland*, pp. 39 and 41.
[80] Federal Department of Finance (2021), *2021 Report on the Long-Term Sustainability of Public Finances in Switzerland*, p. 63.
[81] Swiss Re Institute (2021), *The Economics of Climate Change: No Action Not an Option*.
[82] Federal Department of Finance (2021), *2021 Report on the Long-Term Sustainability of Public Finances in Switzerland*, p. 5.
[83] National Centre for Climate Services (NCCS), *Risks and Opportunities of Climate Change in Switzerland's Major Regions*.
[84] NCCS (2020), *Climate Change in Switzerland*, p. 74.

Consultation Report, the IMF called for decisive actions to achieve Switzerland's climate change targets.[85]

1.31. In January 2021, the Government unveiled its long-term policy strategy on climate change to be carbon neutral by 2050. It notably aims at reducing carbon emissions along entire value chains in Switzerland but also taking into consideration goods and services imported, applying the principle of circular economy to the extent possible.[86] Three quarters of the total Switzerland carbon footprint is created abroad. The Government thus promotes sustainability provisions in free trade agreements.[87] After the rejection of the revised CO_2 Act by popular vote in 2021, the Government submitted a new proposal on 17 December 2021 to meet the objectives of its long-term climate strategy (Section 4.2.2.1.3).

1.32. While the Government's fiscal situation is sound, household debt is much higher than public debt, at about 130% of GDP.[88] Swiss household debt is among the highest in the world (more than twice the EU average in percentage of GDP).[89] Several studies from international organizations (such as the OECD (2019 and 2022), and to a lesser extent the IMF[90]) and from the SNB noted the risk over the housing market[91], characterized by high prices and a high level of mortgage debt. In November 2021, the Swiss Financial Market Supervisory Authority (FINMA) warned of overheating and heightened risks in the real estate and mortgage market. According to its report, as mortgages are the most important pillar of business for the majority of banks, a real estate crisis would have significant consequences for Swiss financial stability.[92] The SNB indicated in its 2021 Financial Stability Report that it was closely monitoring developments in the mortgage and real estate markets in order to assess if countercyclical measures had to be implemented.[93]

1.33. Switzerland's unemployment rate is structurally low. Over the review period, it remained at maximum 3.3%, compared to a range of around 6%-9% for the EU average.[94] Nevertheless, unemployment is unbalanced between Swiss citizens and foreigners. Between January 2016 and September 2021, the monthly unemployment rate for Swiss citizens ranged between 1.6% and 2.5%, while the range for foreigners was between 3.5% and 6.9%. Moreover, the job market is still characterized by gender imbalances: in 2018 (most recent data), the average wage of women was 19% lower than that of men. If 54.6% of this difference is explained by objective factors such as professional position or level of education, 45.4% was still unexplained. The gender gap is slightly lower in the public than in the private sector, and the share of unexplained factors, reflecting a possible discrimination, is lower in the public sector.[95] The authorities indicate that they do not expect the COVID-19 pandemic to have a major impact on the gender wage gap. In 2020, the Federal Law of 24 March 1995 on Gender Equality (RS 151.1) was updated to introduce a mandatory requirement for companies employing more than 100 workers to undergo an analysis of salary equality by an independent entity.[96] The Equality Strategy approved in 2021 is based on four pillars, the second being "continued promotion of equality in the professional life". The Federal Council intends to eliminate any gender-based salary discrimination. The implementing measures should be adopted or put in place by 2023.[97] In addition to salary discrimination, women sometimes face disincentives to participate in the labour force as joint taxation of income leads to high marginal tax rates for second earners in the case of married couples. The introduction of individual taxation would

[85] IMF Country Report No. 21/130, p. 2.
[86] Federal Council (2021), *Switzerland's Long-Term Climate Strategy*, p. 16.
[87] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*.
[88] *Avenir Suisse* (2020), "L'endettement privé suisse est-il trop élevé?", 1 October. Viewed at: https://www.avenir-suisse.ch/fr/lendettement-prive-suisse-est-il-trop-eleve/.
[89] SECO (2019), *Report of the Federal Council on the Swiss Economy*, p. 29.
[90] OECD (2019), *OECD Economic Surveys: Switzerland 2019*, p. 4; OECD (2022), *OECD Economic Surveys: Switzerland 2022*, p. 10; and IMF Country Report No. 21/130.
[91] SNB (2020), *113th Annual Report*, p. 109.
[92] FINMA (2021), *FINMA Risk Monitor*.
[93] SNB (2021), *Financial Report*, pp. 5-6 and 14.
[94] Eurostat, *Unemployment Statistics*. Viewed at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics.
[95] FSO, *Wage Gap*. Viewed at: https://www.bfs.admin.ch/bfs/en/home/statistics/work-income/wages-income-employment-labour-costs/wage-levels-switzerland/wage-gap.html.
[96] Federal Office for Gender Equality, *Loi sur l'égalité*. Viewed at: https://www.ebg.admin.ch/ebg/fr/home/themes/droit/loi-sur-l-egalite.html.
[97] Federal Council (2021), *The Federal Council Adopts National Gender Equality Strategy*, 28 April. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-83294.html.

improve the incentives to work. The Federal Council plans to conduct the consultation procedure in autumn 2022.[98]

1.3.2 Liechtenstein

1.34. Liechtenstein faces similar challenges to Switzerland's regarding productivity growth, household debt, and the ageing of its population. While the Government's fiscal situation is sound, Liechtenstein household's debt reaches 120% of GDP. In 2021, the Financial Market Authority estimated that current policies to address household debt were largely appropriate, but it proposed targeted measures to address the related vulnerabilities in the long term such as closing data gaps in the real estate market, or increasing risk awareness among lenders and borrowers.[99]

1.35. Liechtenstein's level of productivity (measured in GDP/employees) is especially high at CHF 165,566 (compared to CHF 142,516 in Switzerland and CHF 101,562 in Austria, its two neighbouring countries). Liechtenstein is ahead of all OECD countries in terms of R&D spending as a share of GDP (5.7%). Public spending represents only 2% of total R&D expenditures (compared to the EU average of 30%), which are thus almost exclusively conducted by the private sector. As for Switzerland, however, the Government acknowledged in its 2021 Economic Report that productivity has not been very dynamic for the past two decades.[100]

1.36. In Liechtenstein also, the ageing of the population is an indisputable trend. According to the Government, between 2007 and 2019, in none of the EU/EFTA States had the proportion of inhabitants aged 65 or more increased as rapidly as in Liechtenstein.[101] The Government Plan 2021-2025 calls for the development of a comprehensive strategy to address the challenges associated with an ageing population.

1.4 Developments in Trade and Investment

1.4.1 Trends and patterns in merchandise and services trade

1.37. Important trends during the period under review included the growing prominence of the chemical and pharmaceutical sector as the main driver of Swiss exports of goods and changes in the geographic orientation of Swiss foreign trade.[102]

1.38. The value of Switzerland's merchandise exports increased steadily and by nearly 15% from CHF 210.5 billion in 2016 to CHF 242.3 billion in 2019, before declining by 7% to CHF 225.3 billion in 2020 (Table A1.2). The value of merchandise imports increased by 18%, from CHF 173.5 billion in 2016 to CHF 205.2 billion in 2019, and declined by 11% to CHF 182.3 billion in 2020 (Table A1.1). The goods trade balance reached a record value of CHF 43 billion in 2020 as the decline in imports exceeded the decline in exports (Tables A1.1 and A1.2).[103] In 2021, exports and imports of goods are expected to increase by 7.7% and 4.0%, respectively.[104]

1.39. The decline in the value of exports and imports in 2020 to a large extent reflects the collapse of Swiss foreign trade in the second quarter resulting from the COVID-19 pandemic. The value of weekly exports dropped by nearly 25%, from the beginning of the year to the most stringent phase

[98] Information provided by the authorities.
[99] Information provided by the authorities.
[100] Government of the Principality of Liechtenstein (2021), *Economic and Financial Data on Liechtenstein*, data as of 24 June 2021.
[101] Government of the Principality of Liechtenstein (2021), *Economic and Financial Data on Liechtenstein*, data as of 24 June 2021.
[102] Regarding statistics on merchandise trade in this subsection and in the annexes, it should be noted that as explained by the Swiss authorities, "[t]he Principality of Liechtenstein and the enclave of Büsingen belong to the Swiss customs territory and are included in the foreign trade statistics, whereas the valleys of Samnaun and Sampuoir are excluded". FOCBS, *Survey*. Viewed at: https://www.bazg.admin.ch/bazg/en/home/topics/swiss-foreign-trade-statistics/methoden-metadaten/methoden/erhebung.html.
[103] The widening of the Swiss trade balance is a long-term trend. Between 2010 and 2020, the trade balance more than doubled. FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 6.
[104] SECO (2021), *Konjunkturtendenzen Winter 2021/2022*, p. 21.

of the Swiss containment measures while the value of imports declined by about 30%.[105] A recent study shows that this collapse of Swiss foreign trade in goods in 2020 was due to the impact of the COVID-19 pandemic on demand and supply factors. On the demand side, the study finds that the evolution of exports to specific trading partners is correlated with COVID-19 infection rates in the trading partner but not with the stringency of containment measures applied by the trading partner. On the supply side, the study finds that the evolution of imports from specific partners is correlated with both COVID-19 infection rates and the stringency of containment measures applied by the exporting countries. Neither protective measures nor exchange rate movements played a significant role in the decline of Swiss trade in 2020.[106]

1.40. The main product groups in Swiss merchandise exports are: (i) chemical and pharmaceutical products; (ii) precision instruments, clocks and watches and jewellery; and (iii) machines, appliances and electronics (Table A1.2; Chart 1.4). The long-term evolution of the structure of Swiss merchandise exports shows considerable differences between sectors. There has been growing specialization in certain fast-growing sectors where exports have been relatively unaffected by exchange rate developments. The chemical and pharmaceutical sector has emerged as the main driver of Swiss merchandise exports, a position that it reinforced during the review period. Exports of chemical and pharmaceutical products[107] reached CHF 116.4 billion in 2020[108] and for the first time accounted for more than half of all merchandise exports (excluding precious stones) (Table A1.2; Chart 1.4). Despite a decline in its share of the value of Swiss merchandise during the period 2016-20 (Table A1.2; Chart 1.4), the product group of precision instruments, clocks and watches and jewellery has also experienced a long-term increase in its share of the value of Swiss merchandise exports.[109] On the other hand, exports have stagnated in certain sectors that are more sensitive to exchange rate conditions.[110] The shares of machines and metals in Swiss merchandise exports declined significantly during the last two decades[111], a trend that continued during the period 2016-20 (Table A1.2; Chart 1.4). The chemical and pharmaceutical product group was also the only one to register an increase of exports in 2020.[112] For all other product groups, very substantial declines in the value of exports were recorded in 2020.[113]

1.41. A recent analysis finds that, based on the value added in exports, chemical and pharmaceutical products contributed more than 40% of the growth of Switzerland's GDP between 2010 and 2020.[114]

1.42. The main product groups in Swiss merchandise imports are: (i) chemical and pharmaceutical products; (ii) machines, appliances and electronics; and (iii) precision instruments, clocks and watches and jewellery (Table A1.1; Chart 1.4). The share of chemical and pharmaceutical products increased during the review period while the share of machines, appliances and electronics remained stable and the share of precision instruments, clocks and watches and jewellery declined

[105] Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. (2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22, p.5.

[106] Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. (2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22, pp. 10-12.

[107] Pharmaceutical products, diagnoses and vitamins make up 85% of the chemical and pharmaceutical products group. FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 10.

[108] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 8.

[109] Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. 2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22.

[110] OECD (2019), *Economic Surveys: Switzerland 2019*, p. 9.

[111] Machines accounted for 13.2% of the value of Swiss merchandise exports in 2019 compared to 22.4% in 2005, and metals accounted for 5.6% of Swiss merchandise exports in 2019 compared to 7.4% in 2005. Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. (2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22, p.3.

[112] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p.8. The top export markets for the chemical and pharmaceutical sector are the United States (22.35%), Germany (14.9%), Italy (5.9%), China (5.7%), and Spain (5%). FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 10.

[113] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 8. Regarding the growth in exports of pharmaceutical products in 2020, it has been observed that this may be explained in part by the fact that foreign demand for Swiss pharmaceutical products is particularly inelastic with respect to economic and exchange rate shocks. Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. (2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22, p. 6.

[114] SECO (2021), *Tendances Conjoncturelles*, Automne, pp. 16-17.

(Table A1.1). The decline in imports in 2020 affected nearly all product groups, except for food, beverages and tobacco; and textiles, clothing and shoes.[115]

1.43. The positive trade balance is driven mainly by the chemical and pharmaceutical sector, with an export surplus of CHF 65.2 billion in 2020, followed by watches (CHF 14.4 billion) and precision instruments (CHF 7.7 billion). In all other product groups, imports exceeded exports, with the largest import surpluses recorded for vehicles (CHF -12.8 billion); textiles, clothing and shoes (CHF -7.7 billion); energy sources (CHF -3.7 billion); and food, beverages and tobacco (CHF -2.5 billion).[116]

1.44. Aside from growing product specialization, another change that can be observed during the review period concerns the geographical orientation of Switzerland's merchandise exports, with China and the United States increasing their relative importance (Table A1.4; Chart 1.5).[117] The main destinations for Swiss merchandise exports in 2020 were Germany, the United States, China, Italy, France, the United Kingdom, Spain, Japan, Austria, and the Netherlands (Table A1.4).[118] The share of the EU-27 in Swiss merchandise exports remained stable between 2016 and 2020, but the share of the United Kingdom fell sharply (Table A1.4; Chart 1.5).[119] Europe remains the main destination for exports of goods, but the decline in its share of Swiss exports during the review period reflects a long-term trend.[120]

1.45. The main countries of origin of Swiss imports in 2020 were Germany, Italy, China, France, the United States, Austria, Spain, the United Kingdom, the Netherlands, and Ireland (Table A1.3). Among the 10 largest sources of Swiss imports, there were declines in imports from Germany, Italy, France, the United States, and the United Kingdom[121] and increased imports from China and Spain.[122] Although Europe remained the main source of Swiss merchandise imports in 2020, the decline in its share in Swiss imports between 2016 and 2020 (Table A1.3; Chart 1.5) is consistent with a long-term trend.[123]

1.46. In 2020, the main destinations of exports of goods from Liechtenstein were Germany, the United States, Austria, France, and China. The EU-27 accounted for 58.2% of Liechtenstein's merchandise exports (Table A1.6). The main sources of merchandise imports into Liechtenstein in 2020 were Germany, Austria, China, and the United States. The EU-27 represented 75.8% of Liechtenstein's merchandise imports (Table A1.5). It should be noted, however, that the statistics on Liechtenstein's trade in goods do not cover trade with and via Switzerland.

[115] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 22.

[116] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 7.

[117] This change reflects a long-term trend. Between 2005 and 2019, the share of the United States in Swiss merchandise exports increased from 10.4% to 17.3% and that of China increased from 2.1% to 5.5%. Büchel, K., Legge, S., Pochon, V., and Wegmüller, P. (2020), "Swiss Trade During the COVID-19 Pandemic: An Early Appraisal", *Swiss Journal of Economics and Statistics*, 156:22.

[118] See also FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 19. Regarding the role of the United States and China in Swiss foreign trade, a recent study based on the gravity model applied to international trade confirms the importance of both distance and size of trading partner as determinants of the geographical pattern of Swiss foreign trade. The study finds a negative relationship between trade and distance in that "a 1% increase in distance leads to a 0.8% decrease in imports and exports" and a positive and disproportionate relationship between trade and size of trading partner in that "if the size of the economy grows by 1%, imports increase by 1.3% and exports by 1.2%". FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 31.

[119] The authorities indicate that, apart from the possible impact of Brexit, the decline in exports to the United Kingdom is at least partially a reflection due to certain statistical factors, for example, in respect of goods first shipped to the European Union and subsequently exported to the United Kingdom.

[120] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 18.

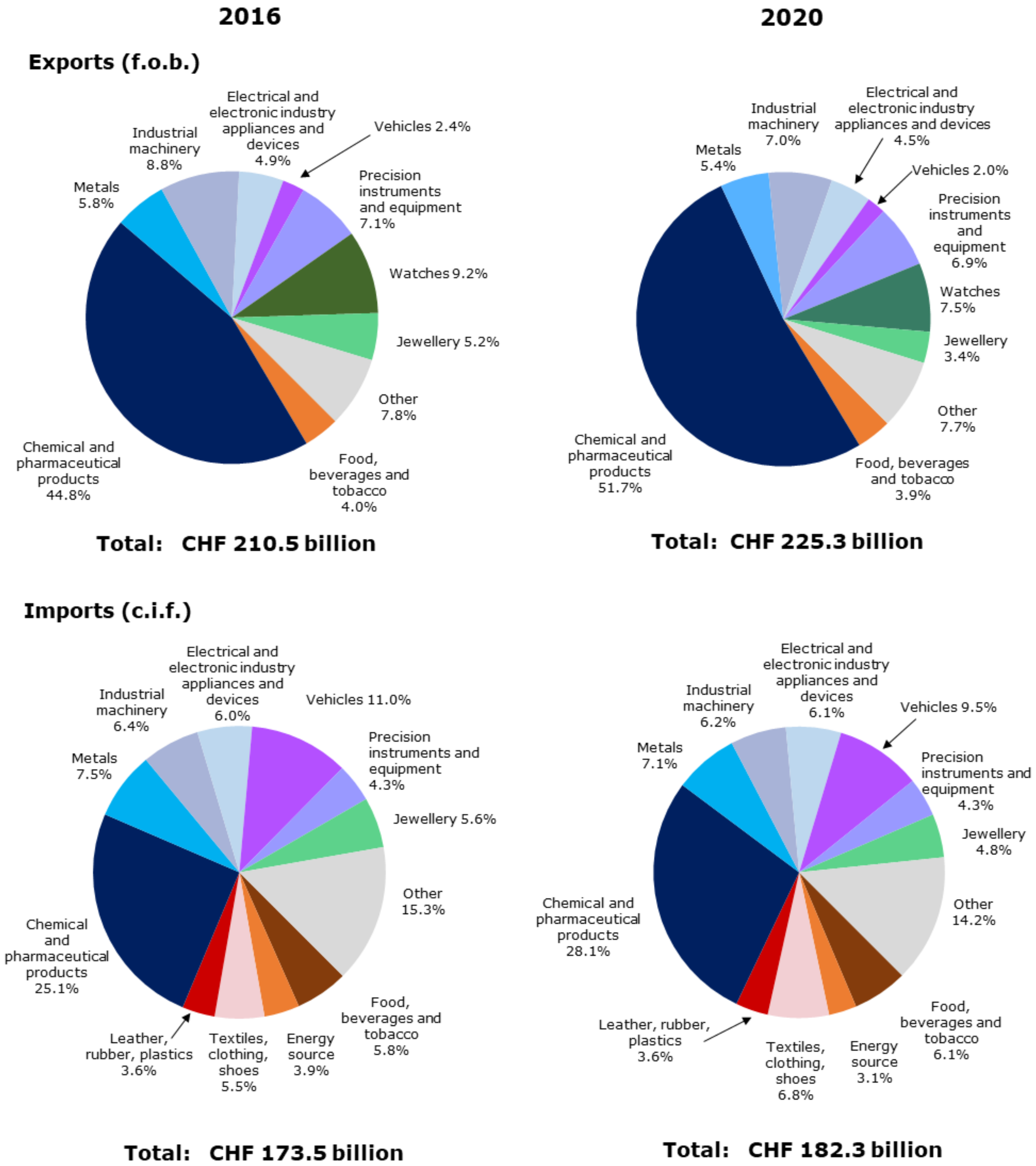
[121] Imports from the United Kingdom declined by 45% in 2020.

[122] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 26.

[122] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 25.

[123] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, p. 24.

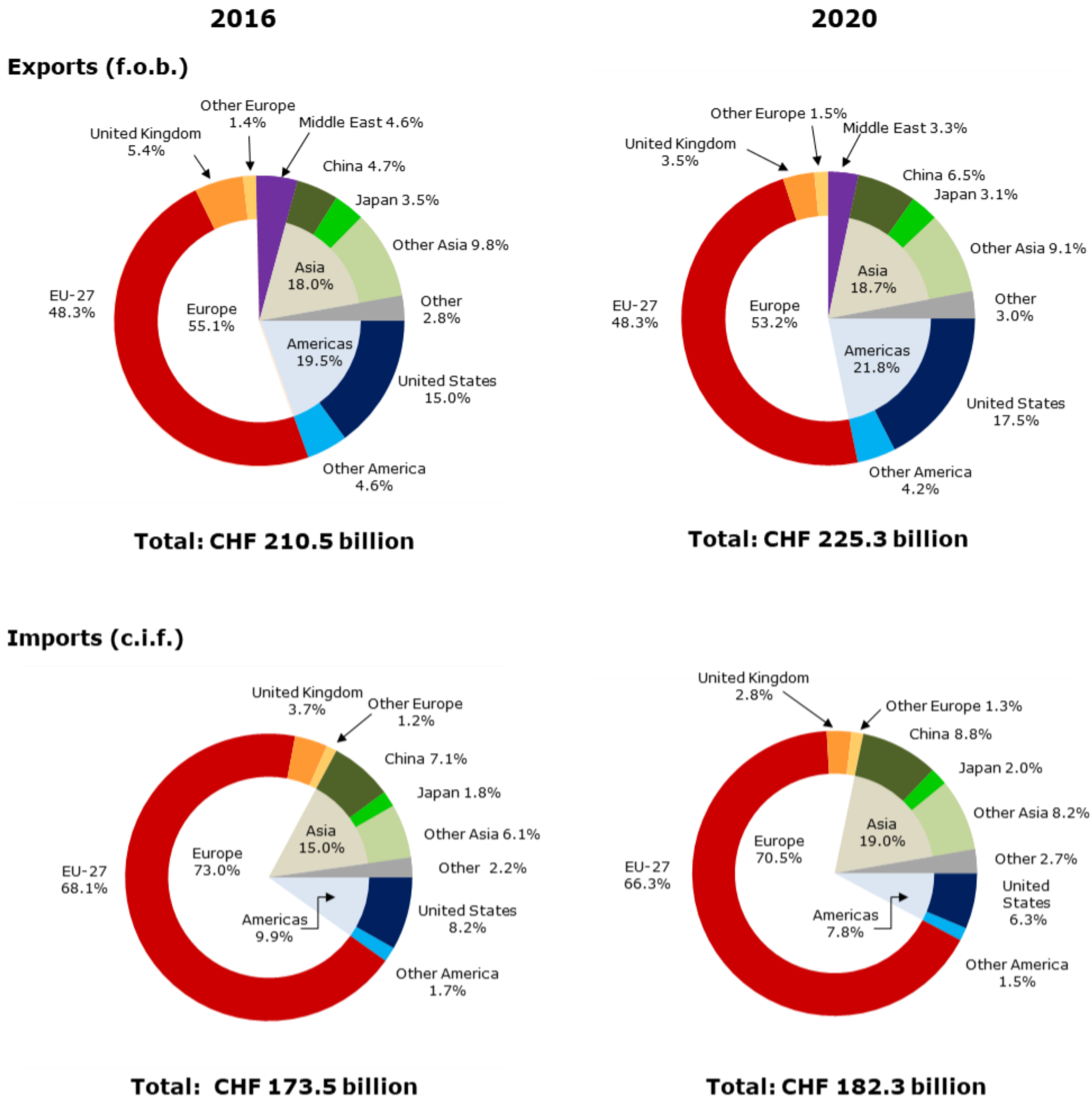
Chart 1.4 Product composition of merchandise trade, 2016 and 2020



Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques. Based on Swiss national nomenclature, "nature of goods", created by the FCA (now the FOCBS).

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS.

Chart 1.5 Direction of merchandise trade, 2016 and 2020



Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques.

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

1.47. Switzerland's recent Foreign Economic Policy Strategy defines as one central area of action boosting resilience through diversification by creating conditions allowing economic actors to diversify, both geographically and in terms of suppliers and customers.[124] Regarding the challenges posed by the pandemic for global supply chains, the Strategy notes that "Switzerland's geographically diversified economic relations largely mitigated the supply bottlenecks during the COVID-19 crisis" and that "Switzerland's value and logistic chains proved relatively resilient on the whole".[125]

[124] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*, p. 6.
[125] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*, p. 22.

1.48. In 2019, there were 52,163 exporting companies. Large companies (at least 250 employees) dominated merchandise exports, with a share of 58%, while medium-sized companies (50-249 employees) accounted for 29%. While 84% of Swiss exporting companies are small companies (fewer than 50 employees), they accounted for only 13% of merchandise exports.[126] The shares of large and medium-sized companies in Swiss merchandise imports were, respectively, 39% and 32%, while small companies (94% of the total number of importing companies) accounted for 27% of imports.[127]

1.49. The review period witnessed a continuation of the long-term trend towards a declining services trade balance.[128] The growth of Switzerland's services exports was modest in recent years.[129] Services exports increased to CHF 132 billion in 2019 and fell by 17% to 109.3 billion in 2020, when tourism and transport were the services sectors most strongly affected by the economic impact of the COVID-19 pandemic. Services imports increased from CHF 119.5 billion in 2016 to CHF 131.4 billion in 2019 and declined by 10% in 2020 to CHF 118.6 billion in 2020 (Table 1.4). Exports and imports of services in 2021 are expected to increase by 8.5% and 7%, respectively.[130] Licence fees accounted for the largest share in services exports during the review period, followed by financial services, tourism, and transport. Similarly, licence fees also constituted the largest share of services imports, followed by research and development services, tourism, and telecommunications, computer and information services (Table 1.4).

Table 1.4 Trade in services by sector and destination/origin, 2016-20

(CHF billion, %)

	2016	2017	2018	2019	2020
Total exports (CHF billion)	**123.8**	**125.0**	**134.6**	**132.2**	**109.3**
By sector					
Licence fees	20.6	19.9	22.5	22.5	19.9
Financial services	15.7	15.9	15.6	16.3	18.8
Transport	9.7	10.7	11.2	11.3	11.1
Telecommunications, computer and information services	11.5	10.7	9.5	8.5	9.3
Tourism	13.3	13.6	13.1	13.6	8.6
Insurance and pension services	6.2	6.6	5.4	5.8	6.7
Technical, trade-related, and other business services	8.0	7.7	5.8	5.2	6.7
Consulting services	4.9	5.4	5.4	5.1	6.5
Research and development services	4.7	3.9	4.7	4.8	5.3
Other services	5.4	5.6	6.7	7.0	7.2
By major destinations					
EU-27	38.7	41.4	40.5	40.0	39.4
Germany	12.0	11.6	11.5	10.8	10.3
France	6.7	6.2	6.2	6.2	5.7
Italy	4.8	4.9	4.7	4.6	4.6
United Kingdom	7.4	7.4	8.6	9.7	11.4
United States	20.2	18.5	16.4	16.4	15.1
China	3.0	3.3	3.5	3.5	3.1
Singapore[a]	1.5	2.0	2.3	2.0	2.0
Japan	2.0	1.9	1.9	2.0	2.0
Total imports (CHF billion)	**119.5**	**127.0**	**130.3**	**131.4**	**118.6**
By sector					
Licence fees	17.0	16.7	18.1	17.1	20.9
Research and development services	13.6	15.7	15.7	15.6	16.9
Telecommunications, computer and information services	13.7	13.7	11.8	12.0	12.5
Consulting services	12.8	11.8	12.0	12.2	11.9
Technical, trade-related, and other business services	8.7	9.4	7.4	8.2	10.1
Transport	8.6	9.0	10.3	10.0	9.3
Tourism	14.5	14.8	14.3	14.3	8.1
Financial services	2.9	2.9	2.9	2.6	2.8
Insurance and pension services	1.3	1.3	1.3	1.5	1.7
Other services	6.6	4.7	6.2	6.5	5.7

[126] FCA (2021) *Annual Report: Swiss Foreign Trade in 2020*, pp. 19-20.
[127] FCA (2021), *Annual Report: Swiss Foreign Trade in 2020*, pp. 26-27.
[128] WTO document WT/TPR/S/355/Rev.1, 22 September 2017, para. 1.36.
[129] OECD (2019), *OECD Economic Surveys: Switzerland*, p. 9. Exports of financial services increased during the review period but have stagnated when considered over a longer period.
[130] SECO (2021), *Konjunkturtendenzen Winter 2021/2022*, p. 21.

	2016	2017	2018	2019	2020
By major origin					
EU-27	43.0	42.6	43.4	43.4	41.3
Germany	13.7	14.1	14.0	13.5	13.3
France	6.8	6.2	6.0	6.1	5.2
Italy	5.0	4.9	5.2	5.0	4.0
United Kingdom	9.1	8.5	8.5	8.8	8.5
United States	25.8	28.3	26.6	26.2	27.6
Japan	2.0	2.0	1.9	2.3	2.9
China	1.4	1.6	1.8	1.8	1.8
India[a]	1.3	1.3	1.4	1.6	1.8

a No data on research and development services.

Source: SNB, *Swiss Balance of Payments*. Viewed at: https://data.snb.ch/en/topics/aube#!/cube/bopovera.

1.50. The principal individual country markets for Swiss services exports are the United States, the United Kingdom, Germany, and France. The EU-27 accounted for around 40% of Swiss services exports during the review period. The major sources of Swiss services imports are the United States, Germany, and the United Kingdom, with the EU-27 accounting for 43% of Swiss services imports during the review period (Table 1.4).

1.4.2 Trends and patterns in FDI

1.51. Switzerland continues to rank among the top 10 economies in terms of inward and outward FDI stock.[131] Switzerland's inward FDI stock is heavily concentrated in services, particularly finance and holding companies (Table A1.7). Swiss outward FDI is also dominated by services but is somewhat more diversified, as manufacturing accounts for more than one third of the outward FDI stock (Table A1.7).

1.52. FDI flows to Switzerland have fallen since 2015 and were negative in 2018-20, reflecting net disinvestment as non-resident investors effected substantial withdrawals from resident companies, particularly by reducing equity capital as part of corporate restructuring. As in the case of the Netherlands, the recent negative FDI inflows to Switzerland reflect the conduit nature of Switzerland's annual FDI flows.[132] Direct investment in Switzerland is made mainly through intermediate companies in European holding company locations.[133] Most of the disinvestment occurred in the category of finance and holding companies. The amount of net disinvestment amounted to CHF 82 billion in 2018, CHF 105 billion in 2019, and CHF 153 billion in 2020 (Table A1.7). Inward FDI stock decreased by CHF 160 billion in 2020 to CHF 1,216 billion. Outward flows fell dramatically from 2016 to 2017 and turned negative in 2019. The net disinvestment abroad amounted to CHF 34 billion in 2020, compared to CHF 54 billion in 2019, and was due primarily to finance and holding companies (Table A1.7). Outward FDI stock increased slightly during the review period (Table A1.7). In 2020, outward FDI stock amounted to CHF 1,460 billion, a decline of CHF 17 billion compared to 2019.

1.53. The geographical orientation of Swiss outward FDI and provenance of inward FDI is contained in Table A1.8.

[131] It should be noted that because of the monetary union between Switzerland and Liechtenstein, the statistics on inward and outward FDI in this subsection also cover Liechtenstein.

[132] UNCTAD (2021), *UNCTAD World Investment Report 2021*, p. 76.

[133] SNB (2021), *Direct Investment 2020*, pp. 13-14. In terms of immediate investors, the European Union represents 73% of the inward capital stock in 2020 and the United States 13%; by contrast, when analysed in terms of ultimate beneficial owners, the European Union accounts for 29% and the United States for 47% of the inward capital stock. SNB (2021), *Direct Investment 2020*, p. 15.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1.1 Switzerland

2.1. The Swiss Confederation is a federal state comprising 26 cantons. Approximately 2,300 local authorities (communes) form the third political administrative level. The principle of subsidiarity applies; thus, matters are dealt with at the lowest political level possible. The Federal Constitution assigns exclusive responsibility for certain tasks to the Confederation, including foreign and security policy, customs and monetary matters, nationally applicable legislation, and defence. Subjects not expressly designated as federal matters are the responsibility of the cantons. The cantons thus exercise considerable autonomy in several areas, including taxation, health, education, and cultural policies. Over the review period, there were three amendments to the Constitution[1], one of which (on food security) may have trade-related implications (Section 4.1*).* The main features and responsibilities of the different levels of government are described in Switzerland's previous Review and remain unchanged.[2]

2.2. Due to Switzerland's system of direct democracy, certain matters are subject to mandatory referendum or optional referendum. Mandatory referenda are for amendments to the Federal Constitution, accession to organizations for collective security or to supranational communities, and certain emergency acts. Matters subject to optional referendum include federal laws, federal decrees, and international treaties. A trade agreement may be subject to optional referendum if it contains important legal norms or requires federal implementing legislation[3]; one such referendum was held on the Economic Partnership Agreement between the European Free Trade Association (EFTA) States and Indonesia during the review period (Table 2.1). A popular initiative may, in principle, be organized by any Swiss citizen eligible to vote. In practice, initiatives are tabled by *ad hoc* committees supported by social groups with (or against) recommendations of the political parties.[4] From 1 January 2017 to 31 January 2022, there were 25 votes on federal decrees and 17 votes on popular initiatives.[5] Referenda held over the review period that have, or could have had, an impact on trade and investment in Switzerland are set out in Table 2.1. Voters may also be invited to decide on cantonal and communal matters in local referenda.

Table 2.1 Selected referenda and popular initiatives, 1 January 2017 to 31 January 2022

Subject (votation date)	Outcome
Popular initiative "Reducing taxes on wages, taxing capital fairly" (26/09/2021)	Rejected
Popular initiative "For clean drinking water and healthy food – no subsidies for the use of pesticides and the use of antibiotics for prophylaxis" (13/06/2021)	Rejected
Popular initiative "for a Switzerland free from synthetic pesticides" (13/06/2021)	Rejected
Federal decree on the legal basis for ordinances of the Federal Council to overcome the COVID-19 epidemic (COVID-19 Act) (13/06/2021)	Accepted
Federal decree on the reduction of greenhouse gas emissions (CO_2 Act) (13/06/2021)	Rejected
Federal decree on Electronic Identification Services (07/03/2021)	Rejected
Federal decree approving the Broad Economic Partnership Agreement between the EFTA States and Indonesia (07/03/2021)	Accepted
Popular initiative "responsible companies – to protect people and the environment" (29/11/2020)	Rejected
Popular initiative "for a ban on financing producers of war material" (29/11/2020)	Rejected
Popular initiative "for moderate immigration" (limitation initiative) (27/09/2020)	Rejected
Federal decree on tax reform and AHV financing (19/05/2019)	Accepted

[1] Amendments were made to the following articles of the Constitution: Article 104a on Food Security in 2017 (AS 2017 6735); Article 88 on Cycle Paths as well as Footpaths and Hiking Trails in 2019 (AS 2019 525); and Article 10a on Prohibition of Veiling One's Face in 2021 (AS 2021 310). Each amendment was made as a reaction to a related popular initiative.

[2] WTO document WT/TPR/S/355/Rev.1, 22 September 2017.

[3] Federal Constitution, Article 141.1(d).

[4] Requirements for initiating popular initiatives and for challenging or initiating referenda on matters subject to optional referenda are described in Switzerland's previous Review. WTO document WT/TPR/S/355/Rev.1, 22 September 2017.

[5] Details of these referenda on a chronological basis, as well as their outcomes, were viewed at: https://www.bk.admin.ch/ch/f/pore/va/vab_2_2_4_1.html.

Subject (votation date)	Outcome
Federal decree approving and implementing the exchange of notes between Switzerland and the European Union concerning the adoption of directive (EU) 2017/853 amending the EU directive on weapons (development of the Schengen acquis) (19/05/2019)	Accepted
Popular initiative "for healthy food produced under fair and ecological conditions" (fair food initiative) (23/09/2018)	Rejected
Popular initiative "for food security. Agriculture concerns us all" (23/09/2018)	Rejected
Federal law on gambling (10/06/2018)	Accepted
Federal decree on the new financial regime 2021 (04/03/2018)	Accepted
Federal decree on food security (direct counter-project to the popular initiative "for food security") (24/09/2017)	Accepted
Law on Energy (21/05/2017)	Accepted
Federal decree on improving tax conditions with a view to strengthening the competitiveness of Swiss business (Corporate Tax Reform Act III)	Rejected

Source: Federal Chancellery. Viewed at: https://www.bk.admin.ch/ch/f/pore/va/vab_2_2_4_1.html.

2.3. A new law on government procurement entered into force in January 2017, and there have been several amendments to existing trade and investment-related laws in Switzerland (Table 2.2). The substance of these changes is described in the relevant subsections of Section 3. New sectoral laws were enacted on energy, gambling, and financial services.

Table 2.2 Main trade and investment-related laws in Switzerland, January 2022

Legislation	Entry into force/ Latest amendment	Reference
Customs Law of 18 March 2005[a]	1 May 2007/2020	RS 631.0
Ordinance on Attestation of the Non-Preferential Origin of Goods of 9 April 2008[a]	1 May 2008/2014	RS 649.31
Federal Law on Customs Tariffs of 9 October 1986[a]	1 January 1988/2021	RS 632.10
Federal Law on the Internal Market of 6 October 1995	1 July 1996/2019	RS 943.02
Federal Law on External Economic Measures of 25 June 1982[a]	1 January 1983/2006	RS 946.201
Federal Law on the Application of International Sanctions of 22 March 2002[a]	1 January 2003/2020	RS 946.231
Federal Law on National Economic Supply of 17 June 2016[a]	1 June 2017/2020	RS 531
Federal Law Regulating Value-Added Tax of 12 June 2009[a]	1 January 2010/2015	RS 641.20
Federal laws on taxation of tobacco, beer, alcohol, motor vehicles and mineral oils, 1932-2006[a]	1933-2007/2021	RS 641.31; 641.411; 680; 641.51; and 641.61
Federal Law on War Material of 13 December 1996[a]	1 April 1998/2020	RS 514.51
Federal Law on Export Promotion of 6 October 2000	1 March 2001/2019	RS 946.14
Federal Law on Swiss Insurance against Export Risks of 16 December 2005	1 June 2006/2014	RS 946.10
Federal Law on Technical Barriers to Trade of 6 October 1995[a]	1 July 1996/2017	RS 946.51
Federal Law on Protection against Hazardous Substances and Preparations of 15 December 2000[a]	1 January 2005/2020	RS 813.1
Federal Law on Medicinal Products and Medical Devices of 15 December 2000[a]	1 January 2002/2020	RS 812.21
Federal Law on Foodstuffs and Utility Articles	1 May 2017/2021	RS 817.0
Federal Law on the Protection of Animals of 16 December 2005[a]	1 September 2008/2020	RS 455
Federal Law against Unfair Competition of 19 December 1986	1 March 1988/2021	RS 241
Federal Law on Cartels and Other Impediments to Competition of 6 October 1995	1 February 1996/2021	RS 251
Law on Price Surveillance of 20 December 1985	1 July 1986/2012	RS 942.20
Federal Law on Government Procurement of 21 June 2019[a]	1 January 2021	RS 172.056
Federal Laws on intellectual property and protection of data, 1931-2001[a]	1932-2002/2021	RS 23 *et seq.*

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

Source: Fedlex. Viewed at: https://www.fedlex.admin.ch/fr/cc/internal-law/1.

2.4. As indicated by the authorities, the process to propose new, or to amend existing, primary laws and major subordinate regulations is launched by the Federal Council through a formal online consultation, which lasts for at least 12 weeks.[6] There is an official list of stakeholders that is consulted systematically. Domestic or foreign companies that are not on the official list may also make comments, as can members of the general public. The consultation documents include a summary of the consequences of the project. At the end of the legislative process, the dispatch sent to the Federal Assembly entails detailed information about the potential impacts and the alternatives examined (including a summary of regulatory impact assessment (RIA)).

2.5. Switzerland continues to maintain RIA requirements with a view to ensuring evidence-based decision-making and the development of quality legislation. RIA rules were revised in December 2019[7], reportedly due to concerns about the underuse of RIA tools and their insufficient quality.[8] Under the new rules, RIAs apply to all federal laws and regulations and should be proportionate to their economic importance. The novel first stage in the process is a review of a checklist of points[9], undertaken by the administrative unit responsible for drafting the law/regulation. The unit must report on the results of this checklist in its proposal to the Federal Council. If the legislative project potentially has medium to large economic consequences, an in-depth RIA must then be undertaken, which is carried out by the responsible unit together with the State Secretariat for Economic Affairs (SECO), and the results are published online. All in-depth RIAs are published online. The obligation to quantify regulatory costs has been extended and systematized, such as for all new regulations that cause additional regulatory costs for more than 1,000 companies or that place a particular burden on an economic sector. Under Article 3.2(6) of the new RIA rules, weblinks to RIA documents need to be provided in explanatory reports for public consultations.[10] These reports contain answers to relevant legal questions and a summary of all RIA questions (e.g. on the expected impact of the regulation or on alternative regulatory options that had been considered). SECO issues guidelines for conducting RIAs, and reviews selected RIAs to provide non-public opinions on their quality.[11]

2.1.2 Liechtenstein

2.6. Over the review period, Liechtenstein introduced a new Business Act (LR 930.1) (Section 2.4.2), a Blockchain Act (Law on Tokens and TT Service Providers), and legislation on data protection. It also amended laws on the provision of services, public procurement, intellectual property rights, and taxes (Table 2.3). The substance of most of these changes is described in the relevant subsections of Section 3.

Table 2.3 Main trade and investment-related laws in Liechtenstein, January 2022

Legislation	Entry into force/ latest amendment	Reference
Business Act	30 September 2020/2020	LR 930.1
Law on the Provision of Services	9 December 2010/2018	LR 930.4
Law on the Promotion of Liechtenstein as a Business and Tourism Location (Location Promotion Act)	1 January 2012	LR 935.20
Law Concerning the Application of International Sanctions	29 January 2009/2019	LR 946.21
Law on National and Municipal Taxes (Tax Act)	18 November 2010/2021	LR 640.0
Law against Unfair Competition	29 December 1992/2016	LR 240
Law on the Award of Public Works, Delivery and Service Contracts (Law on Public Procurement)	2 September 1998/2020	LR 172.05
Law on Copyright and Related Rights (Copyright Act)	23 July 1999/2021	LR 231.1

[6] The webpage for public consultations is: https://www.fedlex.admin.ch/de/consultation-procedures/ongoing.

[7] Federal Council Directives Concerning the Regulatory Impact Analysis Applicable to Federal Legislative Projects. Viewed at: https://www.seco.admin.ch/dam/seco/fr/dokumente/Wirtschaft/Wirtschaftspolitik/RFA/rfa_richtlinien.pdf.download.pdf/Directives-AIR.pdf.

[8] As reported by the OECD, the Swiss Federal Audit Office reviewed the quality of the Swiss RIA framework in 2016 and found that available RIA tools were underused and that close to 30% of RIAs examined were of insufficient quality. OECD (2018), *OECD Regulatory Policy Outlook 2018*, *Country Profiles: Switzerland*.

[9] This so-called "quick check" addresses five points: (i) necessity and possibility of state intervention; (ii) possible options; (iii) consequences for different groups in society; (iv) consequences for the economy as a whole; and (v) practical aspects of execution. The checklist and a manual on the method and procedure to apply the RIA are found at: www.seco.admin.ch/rfa.

[10] These explanatory reports may be viewed at: https://www.fedlex.admin.ch/de/consultation-procedures/ongoing.

[11] SECO.

Legislation	Entry into force/ latest amendment	Reference
Law on the Protection of Topographies of Semiconductor Products (Topography Law)	23 July 1999/2018	LR 231.2
Law on the Exercise of Copyrights and Related Rights by Collecting Societies	12 June 2018	LR 231.3
Law on the Protection of Trade Marks and Indications of Origin (Trade Mark Protection Act)	20 February 1997	LR 232.11
Law on the Protection of Design (Design Act)	28 April 2016	LR 232.12
Data Protection Act	7 December 2018	LR 235.1
Law on Tokens and TT Service Providers (Blockchain Act)	1 January 2020/2021	LR 950.6

Source: Liechtenstein Gazette.

2.7. As indicated by the authorities, the majority of changes to existing laws and regulations and most new laws and regulations are due to the implementation of EU law as a consequence of Liechtenstein's participation in the European Economic Area (EEA). No public consultations are undertaken for these laws/regulations. The public can comment on all other draft primary laws in public online consultations.[12] When the Government proposes a motion to the Federal Assembly, it must contain an impact assessment that follows a fixed format covering a justification for the motion, its main elements, the public consultation, its constitutionality/legality, and its effects on the workload and use of resources of the administration.[13] The authorities drew attention to the fact that the small size of the public administration and the many possibilities for direct contact with policy makers favour stakeholder feedback in general.

2.2 Trade Policy Formulation and Objectives

2.8. SECO, within the Swiss Federal Department for Economic Affairs, Education and Research remains the main agency dealing with economic policy issues in Switzerland. SECO's responsibilities include formulating and implementing trade policy and representing Switzerland in multilateral institutions.

2.9. As noted by the authorities at the time of the previous Review, Switzerland has a small domestic market and its exports represent a sizeable share of GDP; as such, Switzerland owes its prosperity to the international competitiveness of its enterprises, their capacity to innovate, and their specialization in the production of high value-added goods and services. To maintain Switzerland's advantages, its trade policy takes into account the broader context of its growth policy. Central to this policy is increased labour productivity and the strengthening of competitiveness and innovative spirit. Trade policy aims to promote and guarantee open markets, while contributing to sustainable development, and it encompasses trade facilitation to reduce costs for companies participating in global supply chains.[14] This focus remains the same.

2.10. Trade policy for the medium to long term will also be guided by Switzerland's new Foreign Economic Policy Strategy, which was adopted by the Federal Council on 24 November 2021.[15] While not representing a fundamental change in direction for Switzerland's foreign economic policy, the new Strategy focuses on global market integration with trade policy objectives featuring prominently in central action areas.[16] It seeks to ensure foreign policy preserves and increase the country's prosperity, achieve Sustainable Development Goals, take into account the changing geopolitical environment and perceived emergence of new protectionist tendencies, and meet the demands of sustainable development and increasing digitalization. Trade policies are also developed in the

[12] Public consultations were viewed at: https://www.llv.li/inhalt/11076/amtsstellen/vernehmlassungen. The currently running consultations were viewed at: https://www.llv.li/inhalt/11494/amtsstellen/laufende-vernehmlassungen. Stakeholders' inputs to consultations are published at: https://www.llv.li/inhalt/12458/amtsstellen/externe-stellungnahmen-zu-vernehmlassungsberichten.

[13] Reports and motions were viewed at: https://bua.regierung.li/BuA/default.aspx?modus=nr.

[14] WTO document WT/TPR/M/355, 11 July 2017.

[15] Federal Council (2021), *Switzerland's Foreign Economic Policy Strategy*. This replaces the foreign economic policy strategy issued in 2004, as updated in 2009 and 2014.

[16] For example, action areas identified in the strategy, *inter alia*, include prioritization of a multilateral approach to asserting Switzerland's interests, keeping import and export trade as open and regulated as possible, focusing on main trading partners while maintaining an independent position in the changing geopolitical environment, and boosting resilience to crisis situations by enabling access to geographically diverse and resilient markets.

context of other national strategies, such as the 2030 Sustainable Development Strategy and its associated 2021-2023 Action Plan, adopted in June 2021.[17]

2.11. The Office of Economic Affairs continues to implement Liechtenstein's economic policy, and the Office of Foreign Affairs coordinates Liechtenstein's membership in international agreements (including the WTO and EFTA), treaties, and conventions, including the administration of its rights and obligations. The two offices do not have their own specific trade policy/strategy but have been implementing the Government's overall foreign policy as most recently updated in 2019, the trade elements of which are Liechtenstein's reliance on the four pillars of the Customs and Monetary Union with Switzerland, the EEA, EFTA, and the WTO, as well as financial centre policy.[18] Liechtenstein's trade policy objectives are also incorporated into the 2021-2025 Government Programme, which seeks, *inter alia*, to ensure economic sustainability through continued access to the European internal market, expanded access to foreign markets in a way that is as free of obstacles and discrimination as possible, and an increase in Liechtenstein's network of double-taxation agreements.[19]

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.12. Switzerland and Liechtenstein are original Members of the World Trade Organization. They grant at least MFN treatment to all Members of the WTO, except those subject to economic sanctions (Section 3.1.4). Both countries are signatories to the Agreement on Government Procurement (GPA) (including the Revised GPA, which Liechtenstein ratified in 2013 and Switzerland in 2020, as well as the Information Technology Agreement. In addition, Switzerland is a signatory to the agreements on trade in pharmaceutical products and trade in civil aircraft. Switzerland and Liechtenstein accepted the WTO Agreement on Trade Facilitation in September 2015. Both countries support the Buenos Aires Declaration on Women and Trade and participate in the following joint statement initiatives (JSIs): e-commerce; micro, small, and medium-sized enterprises (MSMEs); and domestic regulation of trade in services. In addition, Switzerland participates in the JSI on investment facilitation for development.

2.13. In the Doha Development Agenda negotiations, both Switzerland and Liechtenstein have been participating in the G-10 group and the W52 sponsors.[20] Additionally, Switzerland is among the Friends of Ambition (NAMA) and Friends of A-D Negotiations (FANs). Switzerland and Liechtenstein are participating in the structured discussions on trade and environmental sustainability launched at the WTO's Trade and Environment Week in 2020 and sponsoring the Ministerial Statement on Fossil Fuel Subsidies Reform. Switzerland has also joined the informal dialogue on plastics pollution and environmentally sustainable plastics trade. Switzerland joined the discussions launched in July 2019 on the proposed Agreement on Climate Change, Trade and Sustainability (ACCTS).

2.14. From 1 January 2017 to 31 January 2022, Switzerland was involved in one WTO dispute settlement case as complainant (DS556: *United States – Certain Measures on Steel and Aluminium Products*) and none as respondent. It also reserved its third-party rights in 22 disputes involving other WTO Members.[21] Liechtenstein has not been involved in any dispute settlement cases as complainant, respondent, or third party. Over the same period, Switzerland submitted 187 notifications to the WTO (including revisions) (Table 2.4). As previously, Switzerland's notifications frequently include Liechtenstein, although Liechtenstein also provides separate notifications for certain measures. Liechtenstein submitted 31 notifications over the review period (Table 2.5). As of 31 January 2022, notifications were outstanding for Switzerland and Liechtenstein in the area of

[17] Federal Office for Spatial Development, *2030 Sustainable Development Strategy*.
[18] Ministry of Foreign Affairs, Education, and Cultural Affairs (2016), Liechtenstein Foreign Policy; and Government of the Principality of Liechtenstein (2019), *Priorities and Objectives of Liechtenstein Foreign Policy*.
[19] Government Programme 2021-2025. Viewed (in German) at: https://www.regierung.li/files/attachments/20211005-Broschuere-Regierungsprogramm-2021-2025-637690469875425556.pdf?t=637707485734142794&nid=14871&groupnr=14871&lang=de.
[20] W52 sponsors are the sponsors of a proposal for "modalities" in negotiations on geographical indications (the multilateral register for wines and spirits and extending the higher level of protection beyond wines and spirits) and "disclosure" (patent applicants to disclose the origin of genetic resources and traditional knowledge used in the inventions). WTO document TN/C/W/52, 19 July 2008.
[21] DS542, DS544, DS547, DS548, DS550, DS551, DS552, DS554, DS557, DS558, DS559, DS560, DS561, DS564, DS566, DS577, DS583, DS585, DS595, DS597, DS602, and DS604.

agriculture (e.g. tariff quotas, domestic support), and for Switzerland in the area of subsidies. Notifications are also pending for EFTA's RTAs with the Gulf Cooperation Council (GCC), Ecuador, and Indonesia.

Table 2.4 Notifications made by Switzerland to the WTO, 1 January 2017 to 31 January 2022

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/79, 18/01/2017 G/AG/N/CHE/82, 11/10/2017 G/AG/N/CHE/89-91, 20/02/2019 G/AG/N/CHE/100-102, 26/03/2020 G/AG/N/CHE/106-107, 04/05/2021 G/AG/N/CHE/110-111, 05/10/2021 G/AG/N/CHE/116, 21/01/2022	Export subsidies; annual
Article 18.2	G/AG/N/CHE/84, 07/02/2018 G/AG/N/CHE/87, 31/10/2018 G/AG/N/CHE/88, 02/11/2018 G/AG/N/CHE/94-95, 02/10/2019 G/AG/N/CHE/109, 11/05/2021 G/AG/N/CHE/114, 10/12/2021	Domestic support; annual
Article 18.2	G/AG/N/CHE/108, 06/05/2021	Administration of tariff quotas; annual
Article 18.2	G/AG/N/CHE/80, 12/09/2017 G/AG/N/CHE/92, 24/06/2019 G/AG/N/CHE/98, 08/01/2020 G/AG/N/CHE/103, 29/10/2020 G/AG/N/CHE/113, 09/12/2021	Imports under tariff quotas; annual
Article 18.3	G/AG/N/CHE/96, 03/10/2019	New or modified domestic support measures exempt from reduction; *ad hoc*
Articles 5.7 and 18.2	G/AG/N/CHE/78, 16/01/2017 G/AG/N/CHE/83, 17/01/2018 G/AG/N/CHE/93, 29/07/2019 G/AG/N/CHE/99, 09/01/2020 G/AG/N/CHE/104, 20/01/2021 G/AG/N/CHE/115, 20/01/2022	Special safeguard provisions; annual
Article 16.2	G/AG/N/CHE/81, 29/07/2017 G/AG/N/CHE/85, 27/02/2018 G/AG/N/CHE/86/Rev.1, 24/06/2019 G/AG/N/CHE/97, 05/11/2019 G/AG/N/CHE/105, 01/02/2021 G/AG/N/CHE/112, 11/11/2021	Actions taken within the framework of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries; annual
Agreement on Government Procurement		
Appendix I of GPA 1994	GPA/THR/CHE/1, 09/01/2018 GPA/THR/CHE/2, 07/01/2020 GPA/THR/CHE/3, 21/12/2021	Threshold values in national currencies; every two years
Article XIX:5 of GPA 1994	GPA/STAT(17)/CHE/1, 03/12/2018 GPA/STAT(18)/CHE/1, 28/08/2019 GPA/STAT(19)/CHE/1, 28/10/2020 GPA/STAT(20)/CHE/1, 28/07/2021	Statistics; annual
Article XXII:5 of the Revised GPA	GPA/LEGIS/CHE/1, 06/01/2021	Domestic legislation; *ad hoc*
Article XXII:8 of the Revised GPA	GPA/WPS/STAT/28, 18/05/2018	Work Programme on the Collection and Reporting of Statistical Data; once
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	G/LIC/N/1/CHE/4, 22/09/2017 G/LIC/N/1/CHE/5, 04/12/2017 G/LIC/N/1/CHE/6/Rev.1, 02/02/2018	Laws and regulations; once
Articles 5.1-5.4	G/LIC/N/2/CHE/3, 07/03/2019 G/LIC/N/2/CHE/4-6, 01/10/2019	Laws and regulations; once
Article 7.3	G/LIC/N/3/CHE/13, 22/09/2017 G/LIC/N/3/CHE/14, 03/10/2018 G/LIC/N/3/CHE/15, 08/10/2019 G/LIC/N/3/CHE/16, 08/10/2020 G/LIC/N/3/CHE/17, 04/10/2021	Completion of questionnaire; annual

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on Rules of Origin		
Article 5 and Annex II, para. 4	G/RO/LDC/N/CHE/1, 27/06/2017 G/RO/N/182, 15/04/2019 G/RO/N/192, 20/01/2020	Changes in laws and regulations (rules of origin in effect); *ad hoc*
Agreement on Subsidies and Countervailing Measures		
Articles 25.1 and XVI:1 of the GATT 1994	G/SCM/N/315/CHE, 13/02/2018 G/SCM/N/343/CHE, 02/07/2019	Subsidy programmes; every three years for full notifications, annual for changes
Agreement on Technical Barriers to Trade (latest notification)		
Article 2.10	G/TBT/N/CHE/246, 24/04/2020	Technical regulations, *ad hoc*
Article 2.9	57 notifications from G/TBT/N/CHE/212, 01/02/2017 to G/TBT/N/CHE/267, 21/01/2022	Technical regulations, *ad hoc*
Articles 2.9 and 5.6	G/TBT/N/CHE/214-215, 07/02/2017 G/TBT/N/CHE/217, 08/05/2017 G/TBT/N/CHE/218, 09/05/2017 G/TBT/N/CHE/220-223, 24/07/2017	Technical regulations, *ad hoc*
Article 5.6	G/TBT/N/CHE/253, 08/01/2021	Conformity assessment procedures; *ad hoc*
Article 5.7	G/TBT/N/CHE/244, 11/04/2020 G/TBT/N/CHE/245, 16/04/2020	Technical regulations, *ad hoc*
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	14 notifications from G/SPS/N/CHE/73, 21 June 2017 to G/SPS/N/CHE/86, 24/01/2022	Sanitary and phytosanitary measures; *ad hoc*
Agreement on Trade Facilitation		
Articles 22:1 and 22:2	G/TFA/N/CHE/1, 30/06/2017 G/TFA/N/CHE/3, 26/03/2019 G/TFA/N/CHE/4, 16/09/2021	Notification of technical assistance and support for capacity-building; *ad hoc*
Articles 1.4, 10.4.3, 10.6.2, and 12.2.2	G/TFA/N/CHE/2/Rev.1, 08/10/2020	Notification on procedures for importation, exportation, and transit; *ad hoc*
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)		
Article 63.2	IP/N/1/CHE/15; IP/N/1/CHE/G/30 IP/N/1/CHE/14; IP/N/1/CHE/G/29 IP/N/1/CHE/13; IP/N/1/CHE/G/28 IP/N/1/CHE/12; IP/N/1/CHE/G/27 IP/N/1/CHE/11; IP/N/1/CHE/G/26 IP/N/1/CHE/10; IP/N/1/CHE/G/25 IP/N/1/CHE/9; IP/N/1/CHE/D/10 IP/N/1/CHE/8; IP/N/1/CHE/D/9; IP/N/1/CHE/E/3 IP/N/1/CHE/7; IP/N/1/CHE/C/9 18/04/2017 IP/N/1/CHE/23; IP/N/1/CHE/E/5; IP/N/1/CHE/G/33; IP/N/1/CHE/T/7, 19/04/2017	Laws and regulations; 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/Rev.1	G/MA/QR/N/CHE/2, 31/08/2017 G/MA/QR/N/CHE/3, 22/07/2020	Notifications of quantitative restrictions; every two years
General Agreement on Trade in Services		
Article III:3	S/C/N/873, 03/02/2017 S/C/N/897, 23/10/2017 S/C/N/922, 25/01/2019 S/C/N/987, 12/02/2020 S/C/N/988, 12/02/2020 S/C/N/1044, 11/02/2021 S/C/N/1074, 21/01/2022	Laws/regulations; *ad hoc*
Article III:4 and/or IV:2	S/ENQ/78/Rev.17, 07/06/2018 S/ENQ/78/Rev.18, 01/02/2019	Enquiry point; once only
Article V:7(a)	WT/REG386/N/1, S/C/N/891, 30/08/2017 WT/REG394/N/1, S/C/N/919, 29/10/2018	Economic integration agreements; *ad hoc*
Article VII:4	S/C/N/1039, 12/01/2021	Autonomous recognition measures; *ad hoc*

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
General Agreement on Tariffs and Trade 1994		
Article XVII:4(a)	G/STR/N/17/CHE, 09/05/2018 G/STR/N/18/CHE/Rev.1, 21/12/2020	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/REG386/N/1, S/C/N/891, 30/08/2017 WT/REG394/N/1, S/C/N/919, 29/10/2018	Agreement establishing a free-trade area; *ad hoc*
Article XXVIII:5	G/MA/343, 22/09/2017 G/MA/377, 28/09/2020	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 2.5 Notifications made by Liechtenstein to the WTO, 1 January 2017 to 31 January 2022

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Agreement on Government Procurement		
Article XIX:4-5 of the Revised GPA	GPA/STAT(17)/LIE/1, 24/10/2018 GPA/STAT(18)/LIE/1, 09/10/2019 GPA/STAT(19)/LIE/1, 19/01/2021 GPA/STAT(20)/LIE/1, 27/10/2021	Statistics; annual
Article VVII:5 of the Revised GPA	GPA/LEGIS/LIE/1, 24/07/2018	Domestic legislation; *ad hoc*
Appendix I of GPA 1994	GPA/THR/LIE/1/Rev.1, 19/02/2018 GPA/THR/LIE/2, 08/01/2020 GPA/THR/LIE/3, 21/12/2021	Threshold values in national currencies; every two years
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	G/LIC/N/1/LIE/4-5, 09/01/2018 G/LIC/N/1/LIE/6, 23/02/2018	Laws and regulations; once
Article 7.3	G/LIC/N/3/CHE/15, 08/10/2019 G/LIC/N/3/CHE/16, 08/10/2020 G/LIC/N/3/CHE/17, 04/10/2021	Completion of questionnaire; annual
Agreement on Trade Facilitation		
WT/L/931	G/TFA/N/LIE/1, 14/03/2018	Notification of technical assistance and support for capacity-building; *ad hoc*
Agreement on Rules of Origin		
Article 5 and Annex II, para. 4	G/RO/N/182, 15/04/2019 G/RO/N/192, 20/01/2020	Changes in laws and regulations (rules of origin in effect); *ad hoc*
Agreement on Subsidies and Countervailing Measures		
Articles 25.1 and XVI.1 of the GATT 1994	G/SCM/N/315/LIE, 26/03/2018 G/SCM/N/343/LIE; 26/08/2021 G/SCM/N/372/LIE, 26/08/2021	Subsidy programmes; every three years for full notifications, annual for changes
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59/Rev.1	G/MA/QR/N/LIE/2, 12/01/2018 G/MA/QR/N/CHE/3, 22/07/2020 G/MA/QR/N/LIE/3, 07/01/2022	Notifications of quantitative restrictions; every two years
General Agreement on Trade in Services		
Article V:7(a)	WT/REG386/N/1; S/C/N/891, 30/08/2017 WT/REG394/N/1; S/C/N/919, 29/10/2018	Economic integration agreements; *ad hoc*
General Agreement on Tariffs and Trade 1994		
Article XVII:4(a)	G/STR/N/17/LIE, 23/05/2018	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/REG386/N/1; S/C/N/891, 30/08/2017 WT/REG394/N/1; S/C/N/919, 29/10/2018 WT/REG437/N/1, 18/01/2021	Agreement establishing a free-trade area; *ad hoc*

Agreement/ decision	Symbol and date of most recent notification	Description of requirement and frequency
Article XXVIII:5	G/MA/342, 22/09/2017 G/MA/377, 28/09/2020	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.

2.3.2 Regional trade agreements (RTAs)

2.15. Switzerland selects its potential RTA partners on the basis of four criteria: (i) their current and potential economic importance; (ii) the extent of existing or potential discrimination resulting from RTAs between a prospective partner and major competitors of Switzerland; (iii) the willingness of prospective partners to enter into negotiations and the corresponding prospects for success; and (iv) other considerations including how an RTA could contribute to economic stabilization and development of a prospective partner or its compatibility with Swiss foreign policy objectives.[22]

2.16. As at January 2022, Switzerland had RTAs in force with 73 economies, comprising its customs union with Liechtenstein; its bilateral accords with the European Union; its participation in EFTA with Liechtenstein, Iceland, and Norway; EFTA's RTAs with 39 economies; and Switzerland's bilateral RTAs with the Faroe Islands, Japan, China, and the United Kingdom (Table A2.1). Liechtenstein's network of RTAs is the largely the same, as it is a member of EFTA. However, its relationship with the European Union is governed by its participation in the EEA; its relationship with the United Kingdom in areas other than goods is governed by the EFTA-EEA members' RTA with the United Kingdom, and Liechtenstein applies only the goods aspects of Switzerland's bilateral agreements. Almost all RTAs that have been notified to the WTO have been considered by the Committee on Regional Trade Agreements (CRTA) (Table A2.1).

2.17. A study was recently commissioned by SECO to assess the extent to which Swiss companies use the tariff preferences available through RTAs (both with respect to their imports and exports). The findings were that overall in 2018, free trade agreements (FTAs) enabled Swiss importers to save CHF 2.5 billion in customs duties (corresponding to an average utilization rate of 73% for imports). With respect to exports, the utilization rate was 80% in 2018, representing savings of CHF 1.8 billion in customs duties.[23] A monitor has been developed for each trading partner, with data for 2019. A second study mandated by SECO examined, in greater depth, the savings on duties accruing to different categories of importers. It found that both SMEs and large companies benefited equally from FTAs during the period 2016-19, enjoying duty savings of 87% and 86%, respectively, when compared to the duties that would have been paid in the absence of FTAs. The average savings on duties for all categories of importers was 84% for the same period. Based on these results, SECO conducted a survey of importing companies to identify the reasons for non-utilization of RTAs by some Swiss firms. Reportedly, the main reason was that companies are not sufficiently informed about the conditions that must be met in order to benefit from FTAs. The fulfilment of rules of origin also seemed to play a significant role. The authorities indicate that SECO is continuing to analyse the results of this questionnaire with a view to determining if further work can help promote increased use of Switzerland's FTAs by businesses.

2.3.2.1 Switzerland and Liechtenstein Customs Union

2.18. The 1923 Swiss Liechtenstein Customs Union Treaty ties the two countries together with a common regime for goods[24] and, following Liechtenstein's unilateral introduction of the Swiss franc in 1924, also a common currency.[25] Switzerland acts on Liechtenstein's behalf on customs union matters, notably trade policy measures affecting imports and exports of goods, and agriculture. The EFTA Convention regulates the bilateral relationship in services, government procurement, consumer

[22] SECO, *Objectives and Strategy*.

[23] SECO, *Use of Free Trade Agreements*.

[24] As set out in Article 4 and 5 of the Customs Union Treaty (LE 0.631.112), certain Swiss federal regulations, especially in customs, are applicable in Liechtenstein. This also applies to trade and customs agreements Switzerland concludes with third parties (Article 7). Pursuant to Article 9, the annexes to the Treaty contain the Swiss regulations that are directly applicable to Liechtenstein (Annex I) and the Swiss treaties that are directly applicable to Liechtenstein (Annex II); these are periodically updated.

[25] The two countries formalized their common currency arrangement in the Currency Treaty of 19 June 1980.

protection, investment, and certain intellectual property rights. In addition, Switzerland and Liechtenstein have concluded a large number of treaties (more than 100 bilateral treaties and numerous multilateral agreements).[26]

2.3.2.2 European Free Trade Association (EFTA)

2.19. Switzerland is a founding member of EFTA, and Liechtenstein acceded in 1991. The other members of EFTA are Iceland and Norway. The EFTA Convention, as revised in 2002, provides for free trade within EFTA in industrial goods, trade in services, investment, land and air transport, public procurement, protection of intellectual property rights, mutual recognition of conformity assessments, free movement of persons, social security, and mutual recognition of diplomas. The Convention is updated on a continuous basis to ensure, wherever possible, that contractual relations between the EFTA States develop in parallel with changes in agreements between EFTA States and the European Union. Since 2017, amendments have entered into force reflecting developments in air transport, the free movement of goods, and rules of origin and administrative cooperation.[27]

2.20. As of 1 November 2021, EFTA members had 29 RTAs in force with 39 economies outside of the European Union. Additionally, EFTA-EEA members signed an RTA with the United Kingdom in July 2021, which entered into force on 1 December 2021 (Section 2.3.2.5).[28] Most of these have been considered by the WTO CRTA. All of these RTAs provide for tariff liberalization, and 14 provide for services liberalization (Table A2.1). Preferential tariff rates for 2021 are contained in Table 3.9 and Chart 3.2.

2.21. In 2021, Switzerland together with its EFTA partners developed new measures to increase the transparency in all phases of RTA processes (preparation, negotiations, and follow-up activities). Measures include the publication on the EFTA website of a description of the objectives of the negotiation and the initial proposals, followed by information documents after each round of negotiations. EFTA RTA joint committee (JC) work has become more transparent with the publication of JC agendas as well as reports on the corresponding discussions.

2.22. Since 2010, with the elaboration of a model chapter on trade and sustainable development by the EFTA States, sustainability provisions have been integrated into all new Swiss RTAs. In 2019, the model chapter was revised to include new themes such as climate protection, the sustainable management of forest and maritime resources, the preservation of biological diversity, sustainable agriculture, sustainable supply chains, responsible business conduct, and gender equality and inclusive trade. The mechanism for dispute resolution in these areas was reinforced by introducing a panel of experts as a supplementary instrument for resolving differences.

2.23. Over the review period, new wide-ranging RTAs entered into force between EFTA and Georgia, the Philippines, Ecuador, and Indonesia. A revised agricultural agreement between EFTA and Israel entered into force on 1 August 2021, and a modernized RTA between EFTA and Turkey entered into force on 1 October 2021.

2.24. The RTA between EFTA and Georgia entered into force on 1 May 2018. Under the agreement, Switzerland and Liechtenstein abolished customs duties on all imports of non-agricultural products and some agricultural products originating in Georgia upon entry into force of the agreement; 1,181 eight-digit tariff lines at the HS 8-digit level remain dutiable on agricultural products. Switzerland and Liechtenstein also provide a duty-free in-quota tariff for 313 eight-digit tariff lines, within the limits of their WTO tariff rate quota (TRQ) concessions. Services commitments follow a positive list approach. Liechtenstein's services commitments contain GATS-plus commitments on certain business, communication, distribution, financial, and tourism and travel-related services. Switzerland made GATS-plus commitments in certain business, construction and related engineering, environmental services, tourism and travel-related, and transport services. The agreement contains sector-specific provisions on financial services, telecommunication services, maritime transport and related service, and energy-related services. It also contains rules and commitments on government procurement as well as provisions on sustainable development

[26] These treaties were viewed (using the search term "Liechtenstein") at: https://www.fedlex.admin.ch/de/search?text=liechtenstein&collection=treaties&itemsPerPage=50&currentPage=1.

[27] EFTA, *The EFTA Convention*.

[28] EFTA (2021), "EEA EFTA States Sign a Free Trade Agreement with the UK", 8 July.

(including environment and labour). The agreement was considered by the CRTA in April 2019 and a full description of the agreement, and the concessions made by the respective parties, is contained in the factual presentation prepared by the WTO Secretariat.[29]

2.25. The RTA between EFTA and the Philippines entered into force on 1 June 2018, at which point Switzerland and Liechtenstein abolished customs duties on all imports of non-agricultural products and some imports of agricultural products. There are 1,491 agricultural tariff lines (at the 8-digit level) that remain dutiable. Switzerland and Liechtenstein also provide a duty-free in-quota tariff for 33 eight-digit tariff lines, within the limits of its WTO TRQ concessions. Services commitments follow a positive list approach. Liechtenstein's services commitments contain GATS-plus commitments on certain business, communication, distribution, financial, and tourism and travel-related services. Switzerland made GATS-plus commitments in certain business, construction and related engineering, environmental services, tourism and travel-related, and transport services. The agreement contains sector-specific provisions on financial services, telecommunication services, maritime transport and related services, and energy-related services. It contains rules, but not commitments, on government procurement as well as provisions on environment and labour within the chapter on sustainable development. The agreement was considered by the CRTA on 18 November 2020 and a full description of the agreement, and the concessions made by the respective parties is contained in the factual presentation prepared by the WTO Secretariat.[30]

2.26. The RTA between EFTA and Ecuador entered into force on 1 November 2020. EFTA States abolished tariffs on all non-agricultural products upon entry into force of the agreement. Preferential market access concessions granted by Switzerland on agricultural products take the form of a reduction or elimination of customs duties within the limits of WTO TRQs or seasonal limitations. Switzerland grants Ecuador preferential treatment for cut flowers and other plants, certain vegetables (especially broccoli) and fruits, as well as preparations based on these products, and for the Andean grains quinoa and amaranth. Services commitments follow a positive list approach, and the agreement contains sector-specific provisions on financial services, telecommunication services, movement of natural persons supplying services, and maritime transport services. Switzerland committed to some improvements compared to the GATS in the areas of installers and maintainers, non-compulsory education, and contractual service suppliers. Liechtenstein's services commitments contain GATS-plus commitments on certain business, communication, distribution, financial, and tourism and travel-related services. The agreement contains rules and commitments on government procurement as well as provisions on environment and labour within the chapter on trade and sustainable development. An early announcement of this agreement was made to the WTO, but it has not yet been formally notified. The authorities indicate that the notification of this RTA to the WTO is being prepared.

2.27. The RTA between EFTA and Indonesia entered into force on 1 November 2021. EFTA States abolished tariffs on all non-agricultural and several agricultural products (some 2,392 tariff lines at the HS 8-digit level) upon entry into force of the agreement. Preferential market access concessions on agricultural products are made through the reduction or elimination of customs duties (including within WTO quotas), rebates on applied duties, and bilateral TRQs on a range of agricultural product categories. The agreement contains concessions in the form of bilateral quotas on sustainably produced palm oil. Additionally, tariff-free market access is granted for palm oil when imported temporarily for processing and export, when destined for technical purposes, or for the production of soups and sauces. If Switzerland grants concessions to other major palm oil producers, these must be also extended to Indonesia at its request. Services commitments follow the positive list approach, and the agreement contains sector-specific provisions on financial services, telecommunications services, movement of natural persons supplying services, recognition of qualifications of service suppliers, recognition of certificates of competency and training of seafarers, and tourism and travel services. For Switzerland, improvements were undertaken in Mode 4 for Contractual Service Suppliers (CSS), installers and maintainers, professional services, special trade construction work, commission agents' services, education services in the fields of batik and cooking, and maritime transport. Liechtenstein's services commitments contain GATS-plus commitments on certain business, communication, distribution, financial, and tourism and travel-related services. The agreement covers environment and labour under its chapter on trade and sustainable

[29] WTO document WT/REG386/1, 15 January 2019.
[30] WTO document WT/REG394/1, 3 September 2020.

development.[31] An early announcement of this agreement was made to the WTO, but it has not yet been formally notified. According to the authorities, preparations for the notification are ongoing.

2.28. The revised agricultural agreement between EFTA and Israel introduces amendments to Protocol A on Processed Agricultural Products and Annex 1 on product coverage.[32] Products with new or improved market access granted by Switzerland include coffee, tea, degras, tapioca, jams, coffee extracts, and certain fruit preparations. Additionally, a previous exchange of letters is replaced by a bilateral agricultural agreement through which improved concessions are granted by Switzerland for, *inter alia*, plants, cut flowers, a broad spectrum of fruits and vegetables, spices, meat preserves and preparations, and preserves of fruits and vegetables.

2.29. The modernized RTA between EFTA and Turkey, *inter alia*, introduces commitments on trade in services (previously it was a goods-only agreement), as well as provisions on labour and the environment in a chapter on trade and sustainable development. Additionally, the bilateral agricultural agreements have been updated to include concessions previously granted autonomously through an exchange of letters, as well as new concessions for, *inter alia*, cheeses, cucumbers and pickles, olive oil, nuts, preserved capers and artichokes, fruit juices, and sweet wines.[33] Service commitments are scheduled using a positive list approach, and the modernized RTA contains specific provisions on recognition of qualifications of service suppliers, movement of natural persons, electronic commerce, telecommunications services, co-productions, health services, tourism and travel services, and international road transport and logistics services. GATS-plus commitments were made for Mode 4 (for information and communication technology (ICT) and CSS professionals and installers and maintainers) and for freight transport (excluding cabotage).

2.30. The EFTA and MERCOSUR countries concluded the substance of their negotiations for an FTA in August 2019; the legal review of the texts is under way.[34] The adhesion of Guatemala to the FTA between EFTA and the Central American States is still pending, awaiting the ratification of the protocol of accession (and negotiations with Honduras are on hold).[35] Negotiations are under way for new RTAs between EFTA and India, Malaysia, the Republic of Moldova, and Viet Nam. Negotiations are also under way to modernize the RTAs with Chile, the South African Customs Union (SACU), and Mexico. It is foreseen that negotiations will start on RTAs between EFTA and Kosovo and Thailand.[36]

2.3.2.3 European Economic Area (EEA)

2.31. Liechtenstein has been a member of the EEA since 1 May 1995 and an associated Schengen member since 2011.[37] The EEA makes Liechtenstein, Iceland, and Norway full participants in the European Union's internal market based on the principles of non-discrimination and the free movement of goods, persons, services, and capital in all areas covered by the Agreement, which include competition policy and state aid. Under the EEA Agreement, EEA States are required to transpose internal market legislation into domestic law within agreed timeframes. From January 2017 to October 2021, 2,580 EU legal acts were incorporated into the EEA Agreement, bringing the total to 11,353. As at the end of May 2021, Liechtenstein had fully transposed all EU

[31] Federal Department of Economic Affairs, Education and Research, *Fact Sheet: Comprehensive Economic Partnership Agreement (CEPA) between the EFTA States and Indonesia*.

[32] EFTA (2021), "Entry into Force of the EFTA-Israel Revised Bilateral Agricultural Agreements", 2 August. Viewed at: https://www.efta.int/Free-Trade/news/Entry-force-EFTA-Israel-revised-bilateral-agricultural-agreements-525361; and *Free Trade Agreements and Trade Relations by Partners – Israel*. Viewed at: https://www.efta.int/free-trade/free-trade-agreements/israel.

[33] EFTA (2021), "Modernised EFTA-Turkey Free Trade Agreement Enters into Force", 1 October. Viewed at: https://www.efta.int/Free-Trade/news/Modernised-EFTA-Turkey-free-trade-agreement-enters-force-525956 and https://www.efta.int/free-trade/Free-Trade-Agreement/Turkey.

[34] SECO, *MERCOSUR*. MERCOSUR comprises Argentina, Brazil, Paraguay, and Uruguay.

[35] EFTA, *Free Trade Agreement – Central American States (Costa Rica, Guatemala and Panama)*. Viewed at: https://www.efta.int/free-trade/Free-Trade-Agreement/Central-American-States.

[36] References to Kosovo in this Report shall be understood in the context of UN Security Council Resolution 1244 (1999).

[37] The Schengen Agreements created an area without internal borders, enabling the free circulation of persons without border checks. For further information on the Schengen Agreements and the Schengen area, see https://ec.europa.eu/home-affairs/policies/schengen-borders-and-visa/schengen-area_en.

directives and regulations, except for three directives relating to mutual recognition of professionals, the environment (both outstanding for more than two years), and intellectual property.[38]

2.32. There have been no changes to the institutional and procedural arrangements for consensus decision-making by the EEA Joint Committee (EEAJC) (which represents EEA EFTA States) and the European External Action Service (EEAS) (which represents the European Union) on including new legal texts in the EEA Agreement. Because of this requirement for a consensus decision and because the EEAJC meets only periodically[39], there is generally a time lag for entry into force of the EU acquis communautaire in the EEA EFTA States. However, as before, simplified procedures apply to urgent measures, e.g. safeguards or SPS measures, ensuring simultaneous implementation in EFTA EEA States and EU member States. Implementation of the internal market structure is ensured by monitoring by the EFTA Surveillance Authority and the judicial functions of the EFTA Court.[40]

2.33. The EEA Agreement does not cover the EU Common Agricultural and Fisheries Policy, the Common Trade Policy, the Common Foreign and Security Policy, Justice and Home Affairs (although all EFTA States have joined the Schengen area), and the Economic and Monetary Union. However, Article 118 encourages cooperation beyond the four freedoms and in new areas. EEA EFTA States have voluntarily joined various EU programmes and activities, e.g. in education and training, youth and sport (Erasmus+); in technology, research and innovation (Digital Europe); and in the internal market (Single Market Programme). Liechtenstein has observer status in several EU agencies (such as the European Medicines Agency, European Banking Authority, European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority) and participates in five programmes in the current EU programme cycle (2021-27): Erasmus+, Digital Europe, Single Market Programme, Creative Europe, and the European Solidarity Corps.

2.34. Liechtenstein continues to maintain a Market Control and Surveillance Mechanism (MCSM) to comply with Swiss import requirements in cases where customs tariffs or non-tariff requirements are different in Switzerland and the EEA for certain products. This system ensures the parallel marketability of goods in Liechtenstein under Swiss and EEA rules, as required by Liechtenstein's membership in both the Customs Union with Switzerland and the EEA (Box 2.1). The institutional responsibilities and fines for infringing MCSM provisions that are part of this system are set by the Act on the Marketability of Goods (LR 947.1).[41]

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 the parallel marketability of goods under Swiss and EEA rules within its territory. Liechtenstein maintains a Market Control and Surveillance Mechanism (MCSM), applicable to imports subject to customs tariffs or non-tariff requirements that are different in the EEA and Switzerland, for this purpose. The MCSM aims 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/importers, and to three categories of goods (LGBl. 2009/394, Annex 1): (i) products on which Swiss and EEA import requirements remain 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 European Union on the one hand, and the EEA Agreement on the other (fish and fish products); and (iii) salt, as Liechtenstein exempts salt of EEA origin from the otherwise applicable Swiss salt monopoly.

Under the MCSM, the Swiss FOCBS clears all imports to Liechtenstein, collects duties, and informs the Liechtenstein Office of Economic Affairs (OEA) by sending an electronic copy of the customs documents for further processing. Where customs tariffs differ, the OEA reimburses importers the duties paid and informs them of their obligations, including the submission of proof of sale in Liechtenstein. When in doubt (e.g. wrongful reimbursement or non-payment of customs duties, re-export of goods to Switzerland that do

[38] EFTA Surveillance Authority, *Internal Market Scoreboard, September 2021*. Viewed at: https://www.eftasurv.int/cms/sites/default/files/documents/gopro/Final%20Scoreboard_No_48.pdf.

[39] EFTA, *EEA Joint Committee*. Viewed at: https://www.efta.int/eea/eea-institutions/eea-joint-committee.

[40] EFTA Surveillance Authority. Viewed at: https://www.eftasurv.int/; and EFTA Court. Viewed at: https://eftacourt.int/.

[41] WTO document WT/TPR/S/355/Rev.1, 22 September 2017, Box 2.1. As indicated by the authorities, where customs tariffs differ it is now the Office of Economic Affairs (not the Swiss Customs) that reimburses importers for the duties paid. Additionally, fines for infringements of MCSM provisions are now CHF 500,000 (rather than up to 20 times the amount of the customs duties wrongfully reimbursed or unpaid).

not satisfy their market requirements), the Liechtenstein administration may launch further investigations. Businesses involved in the production and import of the relevant goods must appoint an official contact person for this purpose. Wholesalers and retailers must keep proof of sales and provide notices in their stores that product use is limited to the Liechtenstein territory. 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. Circumvention is liable to fines up to CHF 500,000 or imprisonment for up to six months. In case of an import ban, fines are up to 9 times the value or imprisonment for up to 12 months. Infringements identified so far have not entailed any criminal action; only written reprimands have been issued.

Source: WTO Secretariat.

2.35. Liechtenstein also continues to provide funding through the EEA Grants system to contribute to social and economic equality in Europe and strengthen relations between EEA members and the 15 beneficiary states in Europe. Over the 2014-21 funding period, EEA Grants amounted to EUR 1.5 billion, with Liechtenstein contributing around 1.2%.[42]

2.3.2.4 Switzerland's bilateral agreements with the European Union

2.36. Switzerland's relationship with the European Union remains governed by over 100 bilateral agreements.[43] The main agreements are contained in Table 2.6. Many of these agreements require regular updates, especially those that are based on harmonization or equivalence of the relevant regulations of Switzerland and of the European Union. Over the review period, Switzerland and the European Union undertook updates in several areas, normally within the Joint Committee of the respective agreement[44], including updates to: (i) the Agreement on Mutual Recognition in Conformity Assessment[45]; (ii) the direct insurance agreement[46]; (iii) customs facilitation and security[47]; (iv) Annexes 11 and 12 to the Agreement on Agriculture[48]; (v) the Air Transport Agreement[49]; (vi) the Land Transport Agreement[50]; and (vii) Protocols 2 and 3 of the Free Trade Agreement.[51]

2.37. In 2017, an agreement on the automatic exchange of information entered into force for Switzerland; this supersedes the 2005 agreement on the taxation of savings income.[52] The 2017 agreement is based on the global standard on automatic exchange of information (AEOI) adopted by the Organisation for Economic Co-operation and Development (OECD) and involves the exchange of financial account information between Switzerland and the EU member States on an annual basis, with a view to tackling tax evasion. The agreement essentially contains three elements: AEOI according to the OECD's global standard; the exchange of information upon request according to Article 26 of the 2014 OECD Model Tax Convention; and the withholding tax exemption of cross-border payments of dividends, interest, and royalties between associated companies (which was already part of the 2005 agreement). Additionally, a new agreement between Switzerland and the European Union entered into force in January 2020 to couple the greenhouse gas emission

[42] EEA Grants, *About Us*. Viewed at: https://eeagrants.org/about-us.
[43] Fedlex, *EU Sectoral Agreements* (in German). Viewed at: https://www.fedlex.admin.ch/de/sector-specific-agreements/EU-acts-register.
[44] Fedlex, *Online Register of Joint Committee Decisions* (in French). Viewed at: https://www.fedlex.admin.ch/fr/sector-specific-agreements/joint-committees-decisions-register.
[45] SECO (2017), "Update of the Agreement on Technical Barriers to Swiss-EU Trade" (in French), 28 July; and SECO (2017), "Update of the Agreement on the Mutual Recognition of Conformity Assessments" (in French), 22 December.
[46] SECO (2018), "Switzerland and EU Adapt Their Insurance Agreement", 5 July.
[47] A joint committee decision modifying Chapter III of and Annexes I and II to the agreement has been applied on a provisional basis since 15 March 2021 (https://www.fedlex.admin.ch/eli/oc/2021/250/fr). From the Swiss side, this update is subject to approval by the Federal Assembly (https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-84828.html).
[48] Joint Committee Decisions No. 1 of 2017; No. 1 of 2018; and No. 1 of 2020.
[49] Fedlex. Viewed at: https://www.fedlex.admin.ch/fr/sector-specific-agreements/joint-committees-decisions-register/5.
[50] Fedlex. Viewed at: https://www.fedlex.admin.ch/fr/sector-specific-agreements/joint-committees-decisions-register/6.
[51] Fedlex. Viewed at: https://www.fedlex.admin.ch/fr/sector-specific-agreements/joint-committees-decisions-register/17; and https://www.fedlex.admin.ch/eli/cc/2021/727/de.
[52] Europa, Interinstitutional File 2015/0075 (NLE), 2015/0076 (NLE), 21 May 2015. Viewed at: https://data.consilium.europa.eu/doc/document/ST-8297-2015-INIT/en/pdf.

allowance trading schemes of the European Union and Switzerland, and a new EU-Switzerland Joint Committee was established in this regard.[53]

Table 2.6 Switzerland's main bilateral agreements with the European Union, 2021

Agreement (date of entry into force for Switzerland)	Coverage
Free Trade Agreement (1973)	Establishes free trade area for industrial goods and covers trade in processed agricultural products. Abolishes customs duties and prohibits quantitative restrictions.
Insurance Agreement (1993)	Freedom of establishment, on a reciprocal basis, for agencies and branches of agencies undertaking non-life insurance, or the option to acquire such undertakings.
Bilateral Agreements I (2002)[a]	Agreements on: (i) free movement of persons; (ii) technical barriers to trade; (iii) public procurement; (iv) agriculture; (v) research; (vi) air transport; and (vii) land transport. Guillotine clause applies.[b]
Bilateral Agreements II (2005)	Agreements on: (i) Switzerland's participation in the European Union's Schengen and Dublin regimes; (ii) automatic exchange of information; (iii) the fight against fraud[c]; (iv) processed agricultural products; (v) Creative Europe (the European Union's MEDIA programme); (vi) environment; (vii) statistics; (viii) certain EU pensions; and (ix) education, vocational education and training, and young people.
Customs facilitation and security (2011)	Facilitates customs clearance for goods traded between Switzerland and the European Union and coordinates cooperation at border posts. Sets out terms of cooperation on customs security and exempts Switzerland from certain measures applying to third countries (i.e. prior declaration requirement).

a With respect to the Agreement on Agriculture, the agreement was extended to include the veterinary sector in 2009 and to mutual recognition of protected designations of origin and protected geographical indications in 2011.
b The guillotine clause stipulates that if one of the agreements was terminated, the others would also automatically cease to have effect. The EU Framework Programme for Research and Innovation has a limited lifetime, as such the agreement for Switzerland's association in the research area was by default limited in time, and its expiration did not trigger automatic termination of the entire Bilateral I package.
c The entry into force of the agreement on the fight against fraud is pending, as Ireland's ratification of the agreement is still outstanding.

Source: Federal Department of Foreign Affairs (2021), *The Main Bilateral Agreements between Switzerland and the EU*, February; and Federal Council, *Overview of the Bilateral Agreements*.

2.38. In May 2021, the Federal Council decided not to sign an institutional framework agreement with the European Union that would have established an institutional framework for five of the bilateral agreements in place. According to the authorities, the key areas of concern for Switzerland related to the Citizens' Rights Directive (CRD), with provisions on wage protection and state aid not producing the outcomes needed by the Swiss. For Switzerland to have incorporated the CRD into the Agreement on the Free Movement of Persons, exemptions would have been needed to ensure rights enjoyed by persons accorded freedom of movement would not be extended, since this would result in higher social security costs.[54] This impasse has had an immediate impact on the pending update of the Switzerland-EU/EEA mutual recognition agreement with respect to medical devices (Section 3.3.2).[55] Moreover, negotiations ongoing at the time of Switzerland's previous Review in areas of the electricity market, public health, and food security have been stalled since 2018. In 2021 the European Commission decided to treat Switzerland as a non-associated third country in the EU 2021-2027 Framework Programme for Research and Innovation, Horizon Europe, and its related programmes and initiatives (the Euratom programme, the International Thermonuclear Experimental Reactor programme, and the Digital Europe Programme). This means that Switzerland

[53] Federal Office for the Environment, *Linking the Swiss and EU Emissions Trading Systems*. Viewed at: https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/reduction-measures/ets/linking-swiss-eu.html; and Fedlex. Viewed at: https://www.fedlex.admin.ch/fr/sector-specific-agreements/joint-committees-decisions-register/23.

[54] Federal Department of Foreign Affairs (2021), "No Signing of Swiss-EU Institutional Agreement", 26 May.

[55] This update would have been needed by 26 May 2021, at which time the European Union's Medical Device Regulation and the corresponding new Swiss law were to become applicable. Since the update could not be carried out, the Federal Council adopted measures on 19 May 2021 to ensure market surveillance for medical devices as well as their safe future supply.

can participate in a limited way in around two thirds of calls for proposals, with Switzerland providing funding of the participation of its research and innovation actors.[56]

2.39. On 30 September 2021, the Federal Assembly decided to release Switzerland's second contribution to selected EU member States. As indicated by the authorities, this is part of a series of measures that have been adopted since May 2021 aimed at stabilizing and pursuing bilateral relations with the European Union. Switzerland and the European Union also aim to establish a structured high-level political dialogue, which could lead to a common agenda for future cooperation. In addition, an internal review of Swiss domestic law is ongoing to examine whether autonomous amendments to Swiss legislation might contribute to the stabilization of Swiss–EU relations.

2.3.2.5 Other agreements and arrangements

2.40. Switzerland has concluded bilateral RTAs with the Faroe Islands (1995), Japan (2009), China (2014), and the United Kingdom (2021). Provisions related to trade in goods in Switzerland's RTAs apply to Liechtenstein by virtue of the 1923 Customs Union Treaty. Other elements of the RTAs, such as trade in services, are not extended to Liechtenstein. Preferential tariff rates for 2021 are contained in Table 3.9 and Chart 3.2. As indicated by the authorities, Switzerland is not currently negotiating any new bilateral agreements.

2.41. Following the United Kingdom's departure from the European Union, Switzerland's relations with the United Kingdom have been governed by several new bilateral agreements (from January 2021). These are: (i) the Agreement on Scheduled Air Services; (ii) the Agreement on the International Carriage of Passengers and Goods by Road; (iii) the Agreement on Direct Insurance other than Life Insurance; (iv) the Agreement on Trade; (v) the Citizens' Rights Agreement; (vi) the Services Mobility Agreement; (vii) the Agreement on mutual recognition of authorized economic operator (AEO) status; (viii) the Social Security Agreement; and (ix) the Police Cooperation Agreement.[57] These agreements are based on the Mind the Gap strategy, which aims to preserve mutual rights and obligations and ensure legal continuity in these areas. The strategy also envisages future enhanced cooperation (Mind the Gap+). According to the authorities, potential areas for such enhanced cooperation are, for example, trade and financial services. The Agreement on the Free Movement of Persons between Switzerland and the United Kingdom no longer applies from 1 January 2021. British citizens' access to the Swiss job market is now governed by the Federal Act on Foreign Nationals and Integration. Additionally, the Federal Council opened a quota for 2021 permitting 3,500 UK nationals to work in Switzerland. An additional agreement between Switzerland, the United Kingdom, and Liechtenstein of 11 February 2019 extends the provisions on goods of the Switzerland-United Kingdom RTA to Liechtenstein.[58] The following new bilateral agreements between Switzerland and the United Kingdom also apply to Liechtenstein: the Agreement on the International Carriage of Passengers and Goods by Road; the Agreement on Trade; and the Agreement on mutual recognition of AEO status.

2.42. Together with its EEA EFTA partners, Liechtenstein concluded a Separation Agreement with the United Kingdom, which has been provisionally applied since 1 January 2021. The Separation Agreement mirrors the relevant parts of the EU-UK Withdrawal Agreement and secures the rights of EEA EFTA and UK citizens that were already residing or working in the EEA EFTA States or the United Kingdom, respectively, at the end of the transition period. Furthermore, Liechtenstein, Iceland, and Norway concluded a comprehensive FTA with the United Kingdom. The agreement covers the full range of trade in goods, services and investment, digital trade, capital movements, government procurement, intellectual property, competition, subsidies, small and medium-sized enterprises (SMEs), good regulatory practices and regulatory cooperation, recognition of professional qualifications, trade, and sustainable development. However, the provisions in this

[56] State Secretariat for Education, Research and Innovation, *Horizon Europe and Euratom*. Viewed at: https://www.sbfi.admin.ch/sbfi/en/home/research-and-innovation/international-cooperation-r-and-i/eu-framework-programmes-for-research/horizon-europe.html/.

[57] SECO (2020), "New Agreements between Switzerland and United Kingdom Take Effect", 29 December.

[58] The text of this agreement was viewed at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/782493/CS_Liechtenstein_1.2019_Trade.pdf.

agreement on trade in goods do not apply to Liechtenstein. Trade in goods between Liechtenstein and the United Kingdom is exclusively governed by the UK-Swiss Trade Agreement.

2.3.3 Other agreements and arrangements

2.3.3.1 Non-reciprocal preferential arrangements

2.43. There were no changes to Switzerland's Generalized System of Preferences (GSP) scheme over the review period. The scheme has also been applicable to Liechtenstein since 1972 by virtue of the Customs Union Treaty. Duty-free and quota-free access for all imports from LDCs is provided within the GSP scheme. As indicated in the previous Review, countries that have joined an international debt relief initiative supported by Switzerland and have not yet eliminated their debt may be deemed equivalent to LDCs by Switzerland; currently this provision applies to the Côte d'Ivoire. For the other developing countries, the GSP scheme provides tariff exemptions or reductions on around 7,000 tariff lines (at the 8-digit level). Reportedly there is no explicit smooth transition provision in the Swiss GSP scheme, with former LDCs being accorded LDC treatment for some time after graduation from the LDC category.[59] In June 2017, Switzerland notified to the WTO its preferential rules of origin for LDCs using the template manded by the 2015 Ministerial Decision.[60] Preferential tariff rates for 2021 are contained in Table 3.9 and Chart 3.2.

2.44. Proof of origin must be submitted to claim GSP treatment. As indicated in Switzerland's previous Review, a new self-certification system (the Registered Exporter System (REX system)) was introduced in January 2017.[61] It aims to reduce the administrative burden of documentary and procedural requirements for LDCs and GSP beneficiaries by not requiring exporters of originating products that fulfil the requirements of the REX system to obtain certificates of origin (Form A) from a competent authority. Instead, exporters must complete a Statement on Origin (SoO) on a commercial document themselves; this does not have to be validated by an authority in their country. Since the SoO is valid without an original signature, the document can be transmitted (e.g. via email to the declarant in Switzerland).

2.4 Investment Regime and Business Environment

2.4.1 Switzerland

2.45. Switzerland continues to provide a very stable and supportive environment for investors and businesses. This is reflected in Switzerland's top rankings in a variety of different indices. For example, it was ranked in fifth place out of 141 economies in the World Economic Forum's (WEF) 2019 Global Competitiveness Index[62]; in fourth place out of 178 economies in the Heritage Foundation's 2021 Index of Economic Freedom[63]; in joint third place in Transparency International's 2020 Corruption Perceptions Index[64]; in first place out of 152 economies in UNCTAD's Business-to-Consumer E-Commerce Index[65]; and in first place out of 64 economies in the International Institute for Management Development's 2021 World Competitiveness Ranking.[66] However, it was ranked below the OECD average in the OECD's 2018 product market regulation economy-wide indicator.[67] Switzerland has, *inter alia*, received high scores for its macroeconomic stability, well-developed and stable financial market, skilled workforce and well-functioning labour market, capacity to adapt and innovate, strong enforcement of property rights, and fair and independent judicial system. On the other hand, its trade regime, with high trade barriers (in

[59] UN LDC Portal. Viewed at: https://www.un.org/ldcportal/preferential market access switzerland gsp/.
[60] WTO documents WT/MIN(15)/47, WT/L/97/Add.1, 21 December 2015; and G/RO/LDC/N/CHE/1, 27 June 2017.
[61] Switzerland applies the REX system together with the European Union and Norway.
[62] World Economic Forum (2019), *The Global Competitiveness Report 2019*.
[63] Heritage Foundation, *2021 Index of Economic Freedom*.
[64] Transparency International, *Corruption Perceptions Index 2020*.
[65] UNCTAD (2021), "Switzerland Climbs to Top of Global E-Commerce Index", 17 February. This index ranks countries on their readiness to engage in online commerce.
[66] IMD (2021), "Europe Dominates, China Rises, and the US Remains Stable in 2021 World Competitiveness Ranking", June.
[67] OECD, *2018 Product Market Regulation: Country Note*. The product market regulation economy-wide indicator measures the distortions that can be induced through the involvement of the State in the economy, as well as the barriers to entry and expansion faced by domestic and foreign firms in different sectors of the economy.

agriculture) and tariff complexity, has been singled out by the WEF as a key area where there is room for improvement. The level of public ownership in the economy has been seen as a barrier to competition by the OECD.[68] Liechtenstein is not featured in these indices.

2.46. Switzerland does not have a specific law governing investment and, so far, there is no investment screening mechanism in place. However, in spring 2020, the Government was tasked to draft possible legislation to implement the motion "Protection of the Swiss economy through investment controls" (18.3021), which proposed to create the legal basis to control direct investments from abroad in Swiss companies, in particular by setting up an approval authority responsible for controlling the transactions concerned.[69] On 25 August 2021, the Federal Council defined the parameters for the control of foreign investments, which include that investment control is intended to avert possible threats or threats to public order or security due to takeovers of domestic companies by foreign investors and, in addition, it should be possible to prevent significant distortions of competition in takeovers by foreign state or state-affiliated investors. It foresees a two-stage test procedure by SECO.[70] The draft law is expected to be published for consultations at the end of March 2022, and following the consultation and redrafting processes, the revised draft law will be submitted to the Federal Assembly. The authorities indicate that the aim of the Federal Government is to remain open to foreign direct investment (FDI) and any investment controls should be compatible with Switzerland's obligations under international law.

2.47. To start and run a business in Switzerland, one representative, not necessarily the owner of the company, must be domiciled in Switzerland. This requirement does not apply to sole proprietorships, general and limited partnerships, associations, and foundations. The duration and costs of registration vary depending on, *inter alia*, the complexity of the case and the legal form. The basic forms of business entity in Switzerland have not changed since its previous Review.[71] As before, all commercial enterprises must be registered in the commercial register to receive their own legal personality and status. According to official sources, it generally takes between two and four weeks to legally establish a company in Switzerland, generally at a cost of between CHF 2,000 and CHF 8,000.[72] With respect to work permit requirements for EU/EFTA citizens, the main change introduced over the review period was the abolition of quotas for the EU-2 (Bulgaria and Romania) on 1 June 2019 as provided for by the phased opening set out in the Free Movement of Persons Agreement. Croatians will benefit from full freedom of movement from 1 January 2022. Rules and procedures for non-EU/EFTA citizens to obtain work and residence permits remain unchanged and are described in Switzerland's previous Review[73]; however, there have been adjustments to quotas[74] (Table A2.2).

2.48. Switzerland is open to investment, although restrictions persist in a few activities where state monopolies operate (namely rail transport, postal, insurance, and commercial services). There are also domicile requirements in the areas of air transport, maritime transport, hydroelectric and nuclear power, operation of oil and gas pipelines, and transportation of explosive materials. Additionally, certain professions, particularly in the healthcare, education, technical, and legal sectors, are regulated; foreign qualifications must be recognized by the relevant Swiss authorities

[68] Federal Council (2021), "The Federal Council Defines the Basic Parameters for Swiss Investment Control" (in German), 25 August.

[69] Federal Assembly. Viewed at: https://www.parlament.ch/fr/ratsbetrieb/suche-curia-vista/geschaeft?AffairId=20183021.

[70] Federal Council (2021), "The Federal Council Defines the Basic Parameters for Swiss Investment Control" (in German), 25 August.

[71] These are formation of a new, or acquisition of an existing incorporated (stock corporation (AG) or limited liability company (GmbH)) or unincorporated company (sole proprietorship, limited partnership, or general partnership); establishment of a branch office; formation of a joint venture (unincorporated or incorporated company); or formation of a strategic alliance with or without an equity interest. WTO document WT/TPR/S/355/Rev.1, 22 September 2017. See also information provided on the Federal Council's SME Portal. Viewed at: https://www.kmu.admin.ch/kmu/en/home/concrete-know-how/setting-up-sme/starting-business/commercial-register%20/registering-company.html.

[72] Switzerland Global Enterprise (S-GE) (2020), *Handbook for Investors: Switzerland as a Business Location*.

[73] WTO document WT/TPR/S/355/Rev.1, 22 September 2017.

[74] There is a new annual quota of 4,500 permits for "B" permits (compared to 3,500 permits previously). For the "L" permit, the annual quota is now 4,000 permits instead of 5,000 permits. A "C" permit may still be issued after five years of uninterrupted residence in Switzerland for US citizens, but there is no right to it.

before these professions may be practiced. Switzerland imposes restrictions on the purchase of real estate for homes/residences, with authorization requirements depending on the purchaser's nationality and residence. All foreign nationals may acquire real estate for professional, commercial, or industrial purposes without needing an authorization (exceptions apply to real estate earmarked for construction, trade, or rental accommodation). The authorities indicate that no new FDI restrictions have been introduced since January 2017. Incentives to support businesses are described in Section 3.3.1.

2.49. Mandated by the Confederation and the cantons, the non-profit organization Switzerland Global Enterprise (S-GE), *inter alia*, provides support to foreign companies investing and establishing in Switzerland (see also Section 3.2.4). This includes providing information on the Swiss general framework, what Switzerland has to offer as a business location, and procedures for setting up a company.[75] The cantons carry out their own investment promotion activities.

2.50. Switzerland has an extensive network of bilateral investment protection agreements covering 115 economies.[76] During the review period, a new agreement entered into force with Guyana. Switzerland has signed double taxation avoidance agreements with 120 economies (of which 6 were not yet in effect as of 31 January 2022).[77] It also signed several tax information exchange agreements.[78]

2.51. On 28 April 2021, the Federal Council opened consultations on a Business Relief Act and the introduction of a regulatory brake. With the Relief Act, the Federal Council wants to consistently ensure that existing regulations and new bills are developed to be not more burdensome than necessary. According to the authorities, the results of the consultation are currently being evaluated and the Federal Council will adopt a dispatch to the Federal Assembly in 2022.[79] Furthermore, various strategies exist to digitally transform government services and render them more efficient and cost-effective. The latter include Digital Switzerland[80], the eGovernment strategy for the period 2020-23[81], and the ICT Strategy 2020-23.[82] These measures have included:

- The launch of the EasyGov.swiss online window in November 2017 (https://www.easygov.swiss/easygov/) for interactions between companies and the authorities. The system, which has been subject to ongoing upgrades, now allows company founders to complete online all the administrative procedures needed to create their structure. The window enables access to over 30 administrative services, including registration in the commercial register and registration for value-added tax, social insurance, and accident insurance. As of end-2021, it had over 50,000 companies registered.[83]

- Electronic VAT reporting (Section 3.3.1).

- The simplification of customs procedures through the implementation of the DaziT platform (Section 3.1.1). This also applies to Liechtenstein.

[75] S-GE (2020), *Handbook for Investors: Switzerland as a Business Location*.
[76] SECO, *Overview of BITS*.
[77] State Secretariat for International Finance, *Tax Agreements*.
[78] Fedlex, *International Law* (in German). Viewed at: https://www.fedlex.admin.ch/de/cc/international-law/0.65.
[79] SECO (2021), "Allégement des coûts de la réglementation pour les entreprises et frein à la réglementation: ouverture des consultations", 28 April. Viewed at: https://www.seco.admin.ch/seco/fr/home/seco/nsb-news.msg-id-83285.html.
[80] Federal Council, *Digital Switzerland Strategy*. The strategy defines 41 goals in 9 fields of action: (i) education, research, and innovation; (ii) infrastructure; (iii) security; (iv) environment protection, natural resources, and energy; (v) political participation and e-government; (vi) the economy; (vii) data, digital content, and artificial intelligence; (viii) social affairs, healthcare, and culture; and (ix) international commitment.
[81] Federal Council, *2020-2023 eGovernment Strategy Switzerland*. This replaces the four-year strategy from 2016 to 2019 and aims to steer the digital transformation of government services and public administrations at all government levels.
[82] Federal Council, *Federal ICT Strategy 2020-2023*. This replaces strategies governing the periods 2016-19 and 2012-15. It sets out the Government's objectives to ensure that federal information technology meets business needs.
[83] As indicated by the authorities, a study on the cost and time savings from EasyGov is undertaken every four years. The last report was in 2018, and the next report will be released in the spring of 2022.

- A decision to eliminate tariffs on industrial goods, which will enter into force on 1 January 2024 (Section 3.1.3). This also applies to Liechtenstein.

- The launch of a project in 2017 to digitalize the country's justice system from 2025; this will involve the replacement of all paper documents with electronic files as well as the implementation of an online entry portal for judicial proceedings.[84]

2.4.2 Liechtenstein

2.52. Liechtenstein does not have a specific investment code. As at the time of its previous Review, most sectors are open to foreign investment, with the following restrictions: citizenship/residency requirements (see below); restrictions on the purchase of real estate[85]; restrictions on the production, trade, and transport of electricity and gas (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. Additionally, the right to water belongs to the Liechtenstein State, and a concession is required for its use.[86] The authorities confirm that no new FDI restrictions have been introduced since January 2017.

2.53. To be commercially active, domestic and foreign-owned businesses must obtain a commercial licence from the Office of Economic Affairs, unless specific licensing requirements exist. A prerequisite for obtaining this licence is that the investor him/herself is an EEA or Swiss citizen or meets the five years' prior-residence and professional-qualification requirements. If foreign businesses do not meet these criteria, they may appoint a managing director who fulfils them. All entities (of natural or legal persons) must have an office and/or business premises in Liechtenstein that is suitable to carry out the business.

2.54. On 1 January 2021, a new Business Act came into effect in Liechtenstein that changes the general licensing procedure for established trades to a registration and licensing procedure. As indicated by the authorities, the total revision of the Business Act was a consequence of the ruling of the EFTA Court in Case E-19/15 (*EFTA Surveillance Authority v the Principality of Liechtenstein*). In this ruling, the EFTA Court ruled that Liechtenstein was in violation of Services Directive 2006/123/EC, the freedom of establishment, and the freedom to provide services under Articles 31 and 36 of the Agreement on the European Economic Area. The revision also served to implement the obligations arising from the 4th Money Laundering Directive (EU) 2015/849, as well as the recommendations of the Financial Action Task Force from 2012 regarding background checks of beneficial owners for individual businesses. It introduces simplified registration procedures for simple trades, such that the trade can be exercised upon fulfilling the requirements, registering the trade, and submitting the relevant evidence. The Office of Economic Affairs checks the documents afterwards and, if conditions are met, registers the person/entity into the trade register (previously, each trade had to be licensed by the Office of Economic Affairs prior to starting the activity). For qualified trades[87] and for three trades for reasons of reliability examination[88], a licence must be applied for before starting the activity, and the requirements are checked by the Office of Economics, which thereafter issues the business licence. The procedure for cross-border service providers has not changed; as before, the authorization for the temporary and occasional provision of services in Liechtenstein requires in all cases a business establishment and a lawful exercise of commercial activity in the country of establishment. Cross-border providers wanting to pursue a simple trade in

[84] Harmonization of Information in the Justice System (in German). Viewed at: https://www.his-programm.ch/de/Projekte/Justitia-40.

[85] All acquisitions of real estate are subject to a prior authorization, which is granted only if the legitimate interest of the acquirer is fulfilled. The legitimate interest is given if an actual and proven requirement for living or business purposes is given and a prior residence of 12 years has been completed. Non-residents are excluded from the acquisition of real estate. An actual and proven requirement is given if: (i) the acquisition of real estate is to serve additional private housing needs of residents already domiciled in Liechtenstein; (ii) the acquisition of real estate is to serve future private housing needs of Liechtenstein citizens; (iii) the acquisition of real estate is needed to establish or expand domestic commercial or industrial premises; or (iv) the particular property is reserved for agricultural use and if it serves the buyer to produce agricultural products. An actual and proven requirement is not given on the grounds of the seller's interests alone.

[86] Law on the Right to Water, LR 721.10.

[87] Qualified trades are set out in the Business Act and the corresponding ordinances.

[88] These three trades concern electrical engineering, as set out in the Business Act and the corresponding ordinances.

Liechtenstein can operate without additional notification to the Office of Economics. Providers who want to pursue a qualified trade must register in advance with the Office of Economics and enclose the required documents. Additionally low-threshold activities such as domestic secondary employment are excluded from the Trade Act.[89]

2.55. Liechtenstein has not concluded any bilateral investment protection treaties and is not party to any multilateral conventions on investment protection. Liechtenstein has ratified the Multilateral Convention on Administrative Assistance in Tax Matters and signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports. It is party to the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting. Furthermore, Liechtenstein and the European Union have concluded an agreement on the automatic exchange of financial account information to improve international tax compliance. As of 1 November 2021, Liechtenstein had concluded 21 double taxation agreements and 27 tax information exchange agreements.

2.56. Investment promotion in Liechtenstein is undertaken by Liechtenstein Marketing and the Office of Economic Affairs. Liechtenstein Marketing, *inter alia*, provides publicly available online information in English and in German on the Liechtenstein business location, the services available to entrepreneurs, and the possibilities to live and work in Liechtenstein.[90] The Office of Economic Affairs has implemented a Single Point of Contact for companies, which is directed at all interested persons and companies in Liechtenstein, Switzerland, and the EEA EFTA States[91]; this provides a range of services, at no cost, to assist investors. With respect to Liechtenstein's efforts to develop the country into a leading digital business location, the Government and the Princely House developed a Digital Liechtenstein initiative in 2017. This brings together stakeholders in business, politics, and science and has five fields of action: (i) network and politics; (ii) communication; (iii) talent; (iv) events; and (v) innovations and start-ups.[92] Other initiatives are the publication of the Digital Roadmap strategy paper and the Cyber Security campaign. According to the authorities, the focus has been on improving e-government procedures, particularly on reducing the regulatory burden on SMEs. Additionally, a project to create a service portal for companies, digitizing the processes of company formation, administration, and liquidation, was launched in December 2021 and will go live in December 2022.

2.57. Other steps to improve the business environment included the creation of an Innovation Lab as a working group for business cases and new business ideas. This is part of a broader Innovation Framework in Liechtenstein, with a specific but not exclusive focus on the financial sector.

[89] Office of Economics Liechtenstein. Viewed at: https://www.llv.li/inhalt/11393/amtsstellen/marktuberwachung.

[90] Liechtenstein Marketing. Viewed at: https://www.liechtenstein-business.li/.

[91] Office of Economics Liechtenstein. Viewed at: https://www.llv.li/inhalt/118972/amtsstellen/unternehmensgrundung-in-liechtenstein-eap.

[92] Digital Liechtenstein. Viewed at: https://www.digital-liechtenstein.li/initiative.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Since 1 January 2022, the Federal Office for Customs and Border Security (FOCBS) has been implementing customs procedures in Switzerland; it replaced the Federal Customs Administration (FCA). Customs is undergoing a digital and organizational transformation from 2018 to 2026 under the DaziT framework, the objective of which is to meet future challenges of increased traffic and trade as well as to take advantage of digitalization opportunities. Benefits are expected to include reduced regulatory costs, more efficient collection of receipts, and increased security through effective controls. Certain concrete trade facilitation initiatives have already been undertaken (see below). Additionally, several future measures are foreseen, including the introduction of the Import Control System 2 (ICS2), Phases 2 and 3, in 2023 and 2024, respectively[1], and a new goods traffic system (Passar) as from 2023 (see below).[2] The customs clearance of imports, exports, and goods in transit in Liechtenstein is carried out by the FOCBS on its behalf as set out in the 1923 Customs Treaty between the two countries. The Office of Economic Affairs in Liechtenstein is responsible for other customs procedures in the country, in particular with respect to trade in goods with European Economic Area (EEA) countries, such as post-clearance verification.

3.2. The Customs Law and its related regulations (ordinances) govern customs procedures in both Switzerland and Liechtenstein (Table 3.1). The Customs Law was amended in 2018 to, *inter alia*, incorporate developments to the Schengen acquis[3], and in 2020 to reflect the FCA's change of name to the FOCBS from 2022.[4] There have been various changes to customs regulations over the review period; no change had a direct impact on customs procedures. Customs laws and procedures in Switzerland are similar to the Customs Code of the European Union with the same procedures (exceptions include end-use and free zone procedures), and similar terminology and definitions.

Table 3.1 Main customs-related laws and regulations, January 2022

Legislation	Entry into force *(reference)*	Latest amendments / *(reference)*
Customs Law	18/03/2007 *(RS 631.0)*	2018 *(RO 2018 3161)* 2020 *(RO 2020 2743)*
Customs Ordinance	01/11/2006 *(RS 631.01)*	2018 *(RO 2018 3929)* 2018 *(RO 2018 4671)* 2020 *(RO 2020 2741)*
Ordinance of the Federal Department of Finance (DFF) on Customs	04/04/2007 *(RS 631.011)*	2018 *(RO 2018 4329)* 2020 *(RO 2020 2135)* 2021 *(RO 2021 589)* 2021 *(RO 2021 858)*
Ordinance of the Federal Customs Administration (FOCBS) on Customs	04/04/2007 *(RS 631.013)*	2018 *(RO 2018 4045)* 2021 *(RO 2021 589)*
Ordinance of the DFF on Processing	04/04/2007 *(RS 631.016)*	2021 *(RO 2021 589)*

Source: Fedlex, *Customs*.

[1] ICS2 is a large-scale EU information system (with the participation of Switzerland) supporting the processes of: (i) lodging the Entry Summary Declaration (advance cargo information) to customs; (ii) security and safety analysis by customs; (iii) the arrival of means of transport and presentation of goods to customs authorities; and (iv) control by the customs authorities of goods where necessary. This system has three operational release phases. Under Phase 2, operators will have to complete the entry summary declaration (ENS) dataset for all goods arriving by air transport. Under Phase 3, the ENS dataset will have to be lodged for all goods carried on maritime and inland waterways, or by road and rail.

[2] FOCBS, *DaziT Transformation Programme*. Viewed at: https://www.bazg.admin.ch/bazg/en/home/topics/dazit.html; and FOCBS, *Schedule*. Viewed at: https://www.bazg.admin.ch/bazg/en/home/themen/dazit/zeitplan.html.

[3] RO 2018 3161. The Schengen acquis refers the laws and regulations, including, *inter alia*, the Schengen Agreement, that enable the implementation and functioning of the Schengen Area. Further information on the Schengen Area may be viewed at: https://ec.europa.eu/home-affairs/policies/schengen-borders-and-visa/schengen-area_fr.

[4] RO 2020 2743.

3.3. The Ordinance of the FOCBS on Customs governs, *inter alia*, the customs declaration requirements and customs clearance processes in Switzerland and Liechtenstein. Since 2013, it has been mandatory for companies to submit their customs declarations (Form 11.010) electronically (unless imported goods are not intended to be sold or traded (see below)). Switzerland currently does not have a fully-fledged single window system, as customs declarations may currently be made through a variety of different portals, namely: (i) the e-dec import customs clearance system for users registered with and authorized by the Directorate General of Customs[5]; (ii) the e-dec web Internet application (which works without prior registration); (iii) the NCTS system (for goods in transit in road traffic); or (iv) the RailControl system (for rail freight transport).[6] Customs duties may be paid through e-dec. To apply for import permits, importers must go to the responsible federal office. As part of the DaziT customs reform process, e-dec and the NCTS will be replaced by a single window system (Passar), which will be introduced progressively between 2023 and 2025; this will, *inter alia*, enable importers and exporters to apply for permits through the platform.

3.4. Persons importing goods not intended to be sold or traded may still make self-declarations to customs in paper form and submit them in declaration boxes at selected border crossings, or they can use the recently launched QuickZoll application (see below).[7]

3.5. Documents required to support the customs declaration include authorizations, transport documents, commercial invoices, delivery notes, loading lists, weight certificates, proofs of origin, taxation instructions, certificates of analysis, and official attestations.[8]

3.6. Since 1 January 2011, with the entry into force of the Agreement between Switzerland and the European Union on the Simplification of Customs Formalities and Customs Security Measures (Table 2.6), prior notification for imports and exports between Switzerland, Liechtenstein, the EU member States, and Norway has not been required. Advance cargo information must be submitted for imports from other economies; required timelines vary depending on the transport mode.[9]

3.7. Prior import declarations may be submitted, but they are not mandatory. Goods subject to tariff rate quotas may be declared at the earliest on the day on which they are presented to customs. Other goods may be declared at the customs office at the earliest on the working day before the goods enter the customs territory. In both of these cases, the prior declaration corresponds to a final customs declaration and the data transmitted is binding.

3.8. Commercial merchandise may only be cleared through specific customs offices during office hours; at the largest border crossings, customs offices are open 24 hours per day. Border measures taken by the FCA (now the FOCBS) in response to the COVID-19 pandemic included the temporary closure of 130 smaller border crossings around Switzerland and Liechtenstein and simplified importation procedures for certain goods constituting vital supplies, such as foodstuffs and medical supplies.

3.9. Goods are selected for physical or documentary inspection mainly based on risk criteria recorded in the customs clearance and pre-clearance systems. These include: (i) certain categories of goods (e.g. where the tariff number is known to be mis-declared in order to evade import duties, products subject to the Convention on International Trade in Endangered Species of Wild Fauna and Flores (CITES), cultural goods, products and equipment containing fluorinated greenhouse gases, dual-use goods, and goods where there are veterinary or phytosanitary controls on animals and food); (ii) a specific combination of goods and countries (e.g. prohibitions and restrictions to import and export certain goods originating in or exported to some

[5] FOCBS, *Declaring Goods*. The e-dec import system also incorporates an "e-dec easy" facility for small consignments that benefit from a simplified declaration process. Detailed information on the eligibility criteria for the use of e-dec easy was viewed at: https://www.ezv.admin.ch/ezv/fr/home/declaration-en-douane/declaration-pour-entreprises/e-dec-importation/declaration-en-douane-simplifiee-pour-les-petits-envois-dans-la-.html. To become authorized by the FOCBS to use the e-dec system, customers need the right software (developed by themselves or by an IT service provider). They must also register with the FOCBS and request a certificate or the secure sending of data.

[6] FOCBS, *Declaration for Companies*.

[7] FOCBS, *Declaration Box*.

[8] These requirements are set out in Article 80 of the Customs Ordinance (RS 631.01).

[9] Submission of advance cargo information is being progressively integrated into the Import Control System (for imports) and Passar (for exports).

countries/territories including the Democratic People's Republic of Korea); and (iii) an aversely known consignee/consignor. Some controls are also decided based on risk indicators that can only be observed visually. Examples of selection criteria for a physical check that are not recorded in customs clearance systems include invoices with incomplete information or erased items or imports with unusual packaging or broken seals. Over the review period, physical inspections were undertaken for around 0.2% to 0.3% of customs clearances on an annual basis (Table 3.2).

Table 3.2 Physical inspections on imports by customs, 2017-21

	Value (CHF)	Number of customs clearances	Number of physical checks (%)
2017	271,513,588,091	21,056,688	64,648 (0.3)
2018	280,944,033,101	22,037,607	57,361 (0.3)
2019	283,977,487,729	22,914,490	50,484 (0.2)
2020	278,095,692,614	26,734,907	45,657 (0.2)
2021	287,326,578,675	32,489,720	52,151 (0.2)

Source: Information provided by the authorities.

3.10. All tariffs in Switzerland and Liechtenstein are specific duties (Section 3.1.3) and do not need a customs valuation, as the gross weight (weight of goods plus packaging) is used to calculate the duty. For value added tax (VAT) and some other taxes, such as the automobile duty, which are collected at the border and are based on value, the invoice value is used (Section 3.3.1).

3.11. Switzerland and Liechtenstein accepted the Agreement on Trade Facilitation (TFA) in September 2015. They have implemented all of their commitments under the TFA[10], and submitted various TFA-related notifications over the review period (Tables 2.4 and 2.5).

3.12. Over the review period, Switzerland took some concrete trade-facilitating steps under the DaziT transformation programme. Initiatives affecting merchandise trade that have been launched so far are:

- The QuickZoll app, which allows individuals to register goods for import and pay taxes directly. These goods must be for private use or for giving away (i.e. not for sale). These goods can be imported into Switzerland and cleared via all border crossings and no registration is required. However, the QuickZoll app cannot be used for imports subject to restrictions, permits, or bans.[11]

- The Activ app, which enables the faster border crossing of drivers of haulage and transport companies with regular transit trips to and from, or through, Switzerland. When drivers approach the border crossing, the customs declaration recorded in the Activ app is transmitted. Now in its initial phase, the app has been rolled out at selected customs offices.[12]

3.13. Switzerland and Liechtenstein have operated an Authorized Economic Operator (AEO) programme since 2011 for resident companies registered in the commercial register in either country; these are based on the World Customs Organization's (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade.[13] The legal and regulatory bases for this programme are the Customs Act (Article 42a), the Customs Ordinance (Article 112a-s), and AEO Guidelines. General requirements to benefit from AEO status are an appropriate record of compliance, a satisfactory system of managing records, proven financial solvency, and appropriate security and safety standards. Accreditation by the FOCBS is based on risk analysis and inspection; the special characteristics of small and medium-sized enterprises (SMEs) are considered. Benefits granted to AEOs are reduced security checks at customs and priority treatment of consignments for

[10] WTO TFA database. Viewed at: https://tfadatabase.org/members/switzerland and https://tfadatabase.org/members/liechtenstein.

[11] FCA, *Customs Clearance via App (QuickZoll)* (in German). Viewed at: https://www.ezv.admin.ch/ezv/de/home/information-private/waren-anmelden/einfuhr-in-die-schweiz/anmelden-per-app.html.

[12] FOCBS, *Activ*.

[13] WCO (2021), *WCO SAFE Framework of Standards*.

inspection.[14] No fees are charged for the granting of AEO status and as at end-January 2022 there were 144 certified AEOs. In 2016, amendments to the Customs Act enabled Switzerland to conclude on its own international treaties relating to the mutual recognition of AEOs. So far, Switzerland has concluded AEO mutual recognition agreements (MRAs) with the European Union (01/01/2011), Norway (01/07/2017), China (01/09/2017), and the United Kingdom and Northern Ireland (01/09/2021). These agreements also apply to Liechtenstein. Similar agreements are planned with Japan and under consideration with the United States. The agreements allow certified AEOs to benefit from the common advantages set out in the MRA with the respective partner State.

3.14. Appeals against decisions by the FOCBS may be made in the first instance by writing to the customs office (by post or an electronic form) where the customs declaration was made, within 60 days of the decision. Appeals are free if they are successful. However, if they are not successful, the complainant must bear administrative costs of the appeal. The FOCBS undertakes an initial review of the appeal to indicate to the complainant whether there is a chance of success. In instances where there is no response from the complainant to this initial review, a fee of CHF 100 is charged for the decision not to initiate proceedings. Rulings by the FOCBS may be appealed to the courts. In 2021, there were 110 appeals to the FCA (now the FOCBS) and 36 cases before the Federal Administrative Tribunal.[15]

3.15. From 2017 to 2020, the FCA (now the FOCBS) seized 66,186 branded counterfeit items at the border. Of these 49,767 items were commercial merchandise imports and 16,419 were counterfeits in tourist traffic. Most of the imported merchandise seized was in the bags and wallets, watches and jewellery, and glasses subcategories. Most of the counterfeit items entering the country through tourism were in the bags and wallets, and clothes, scarves, hats, and belts subcategories.

3.1.2 Rules of origin

3.16. Switzerland and Liechtenstein do not maintain non-preferential rules of origin for imports. Preferential rules of origin are set out in the Ordinance of 23 May 2012 on the Delivery of Proofs of Origin (RS 946.32) and the Ordinance of 30 March 2011 on Rules of Origin for Preferential Tariffs for Developing Countries (RS 946.39). On 1 January 2022, a few modifications were made to RS 946.39 reflecting the change from HS 2017 to HS 2022.[16]

3.17. The various regional trade agreements in force between Switzerland and Liechtenstein and third countries include the rules of origin applicable to those agreements (Section 2.3). The general rule applied is that sufficiently worked or processed means non-originating material should not represent more than a specific percentage with respect to the ex-works price or that a change in HS heading at the 2-, 4-, or 6-digit level (with some additional limits to the value of non-originating material) applies. Specific rules may apply to some products and the wholly obtained criteria may be used for some agricultural products.

3.1.3 Tariffs

3.1.3.1 Applied MFN tariff

3.18. Switzerland and Liechtenstein form a customs union (Section 2.3.2.1). The FOCBS collects all taxes and duties at the border (including customs duties and VAT); as set out in the Customs Treaty, Liechtenstein receives a transfer using a population-based formula. In 2020, the customs duties collected by the FCA (now the FOCBS) constituted 1.7% of federal receipts, compared with 1.5% in 2015 (Section 1). Liechtenstein's share amounted to CHF 4,415,533.

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[14] FOCBS. Viewed at: https://www.ezv.admin.ch/ezv/fr/home/infos-pour-entreprises/declarer-des-marchandises/operateur-economique-agree--aeo-.html.

[15] Of the appeals to the customs office in 2021, 37 were under examination, 36 were refused, 5 were accepted, 15 were not achieved, 14 were withdrawals, and 3 were re-examinations. With respect to the cases before the Federal Administrative Court, 26 were opened, 3 were confirmed, and in 7 cases there was a decision of non-entry into the matter.

[16] Modifications were also made to RS 948.31, RS 946.311, and RS 946.32 in 2021 through RO 2021 589, which reflect changes brought about by the package of ordinances on the reorganization of the FDA (Section 3.1.1).

3.19. Under the Federal Law on Customs Tariffs, the Federal Council may modify tariffs through an ordinance, when deemed necessary.[17] The modifications are temporary until their approval by the Federal Assembly. Liechtenstein does not participate in decision-making regarding routine changes under the Customs Tariff Act (RS 632.10). However, it does have a political say, for instance, when it comes to multilateral tariff negotiations.

3.20. The 2021 common customs tariff schedule of Switzerland and Liechtenstein is based on HS17 and comprises 8,845 tariff lines (including in-quota tariff lines) at the 8-digit level (some 230 more tariff lines than at the time of the previous Review).[18] The Swiss FOCBS continues to maintain a public online database, Tares, containing information on applied MFN and preferential duties and other measures including tariff rate quotas, additional charges (i.e. other duties and charges (ODCs)), and authorization requirements (i.e. import permits).[19] In October 2021, the Federal Assembly approved the abolition of industrial tariffs (all duties in Chapters 25-97 with a few exceptions for certain tariff lines within Chapters 35 and 38, which are considered to be agricultural goods) and the simplification of the tariff structure. This will enter into force on 1 January 2024.[20]

3.21. The Switzerland-Liechtenstein tariff schedule exclusively consists of specific duties that are generally based on gross weight (i.e. CHF 5 per 100 kg gross).[21] As indicated in previous Reviews, the authorities consider this to be efficient in terms of processing times and the number of staff involved, allowing for swift and accurate assessment of individual consignments.[22] They also consider specific duties as transparent and offering the necessary predictability to ensure the smooth functioning of the import regime. They indicate that Switzerland does not plan to move to an *ad valorem* regime. However, during previous Reviews, various WTO Members expressed concerns about the transparency of specific duties and recommended that adopting an *ad valorem* regime should be considered.[23]

3.22. As in previous years, given that the level of protection by means of specific duties is not evident for the purposes of the Secretariat's analysis, *ad valorem* equivalents (AVEs) have been estimated to make this assessment. As before, AVEs used in this report were calculated by the Secretariat as the ratio of specific duties to import unit values[24], estimated using the ratio of import values to import quantities in 2020 (at the HS 8-digit level). If there were no imports in 2020, 2019 import data were used.

3.23. As in previous years, the limitations of estimated AVEs should be kept in mind:

- First, if there are no imports, the estimates of AVEs are not calculated. A lack of imports does not necessarily imply that the tariff is high; it may be that there is no domestic demand for a particular product. For the purpose of the 2021 tariff analysis, it was not possible to estimate AVEs for approximately 4% of all tariff lines.

- Second, the estimates of AVEs are affected by variations in import prices through fluctuations in world market prices and/or exchange rates even though the tariff rates remain the same. As indicated by the authorities, the appreciation of the Swiss franc has also affected AVEs.

[17] Federal Law on Customs Tariffs (RS 632.10).
[18] 8,525 tariff lines (excluding in-quota lines) were taken into account in all tariff calculations. At the time of the previous Review, the 2016 tariff structure was based on the HS 2012 system and comprised 8,299 tariff lines at the 8-digit level.
[19] FOCBS, *Tares*. Viewed at: https://xtares.admin.ch/tares/login/loginFormFiller.do;jsessionid=6SYXOPHrPODHAFkOd4yE7PIqnv3zXxIIQh04_hIKh9yyWbk6v69F!-380934499?l=en. The authorities confirm that no new functions have been added to the database over the review period.
[20] FOCBS. Viewed at: https://www.bazg.admin.ch/bazg/de/home/aktuell/medieninformationen/medienmitteilungen.msg-id-87027.html.
[21] In rare cases, duties are based on, for example, pieces or litres.
[22] WTO document WT/TPR/S/13, 26 April 1996.
[23] WTO document WT/TPR/M/355, 11 July 2017.
[24] AVEs can be estimated using two main methods: the duty-collection ratio (the ratio of tariff revenue to the import value) and the unit value method (the ratio of specific duties to import prices). For details on AVEs, see WTO documents WT/TPR/S/77, 6 November 2000, Box III.1; and TN/MA/S/10, 20 May 2003.

- Third, the unit values used may vary depending on the source of imports and whether they qualify for a tariff concession or exemption, resulting in a wide variation in AVEs without any change in customs duties.

3.24. One feature of a specific duty is that it provides a relative level of protection that is inversely related to the price of the imported good. Therefore, a specific duty places a relatively heavier burden on lower priced goods compared to higher priced goods in the same tariff line (although in this regard, the Swiss authorities note that it also offers an incentive for higher quality of imports). In isolated cases, a lower specific duty under a preferential tariff arrangement (e.g. the Generalized System of Preferences (GSP)) may have an AVE that is higher than the AVE of the MFN specific duty because imports from the GSP recipients have lower unit prices than the MFN imports.[25] In order to take this into consideration in this section, the calculated import values were based on total Swiss imports (i.e. all trading partners) for each tariff line concerned. Nevertheless, it must be noted that about 80% of tariff lines (i.e. including applied MFN duty-free) are duty-free (zero) under preferential agreements and, therefore, are always lower than the MFN duty regardless of unit prices.

3.25. In the context of this Review, the Swiss authorities reiterate their reservations about the methodology given the above-mentioned limitations on estimating AVEs.

3.26. Overall, the simple average applied tariff for 2021 was 7.2% (down from 9.0% in 2016) (Table 3.3). The overall standard deviation has been reduced significantly from 42.4 to 28.0, indicating a reduction in tariff dispersion. This was due to changes in tariff peaks when comparing 2016 (when the maximum tariff was estimated at 1,850.6%) and 2021 (when the maximum tariff was estimated at 671.3%). Agricultural products (WTO definition) remain highly protected with a simple average applied rate of 25.4% in 2021 (30.8% in 2016); tariffs range from zero to 671.3% (on an AVE basis). The simple average tariff for non-agricultural products (WTO definition) is 1.7% (2.3% in 2016); tariffs range from zero to 59.9% (Table 3.3 and Table A3.1).

Table 3.3 Structure of MFN tariffs, 2021
(%)

		Applied MFN tariff		Final bound[b]
		2016[a]	2021[b]	
1.	Bound tariff lines (% of all tariff lines)	n.a.	n.a.	99.0
2.	Simple average tariff rate	9.0	7.2	11.7
	Agricultural products (WTO definition)	30.8	25.4	43.0
	Non-agricultural products (WTO definition)	2.3	1.7	2.3
	Agriculture, hunting, forestry and fishing (ISIC 1)	22.3	21.9	36.2
	Mining and quarrying (ISIC 2)	0.6	0.7	0.7
	Manufacturing (ISIC 3)	7.8	5.8	9.3
3.	Specific tariffs (% of all tariff lines)	100.0	100.0	100.0
	of which: duty-free tariff lines (% of all tariff lines)	19.7	26.9	17.5
4.	Simple average rate of dutiable lines only	11.4	10.0	14.4
5.	Tariff quotas (% of all tariff lines)	3.8	3.7	3.7
6.	Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	4.1	4.0	4.5
7.	Domestic tariff peaks (% of all tariff lines)[c]	6.4	6.5	7.7
8	International tariff peaks (% of all tariff lines)[d]	9.0	8.0	11.8
9.	Overall standard deviation of applied rates	42.4	28.0	39.2
10.	Nuisance applied rates (% of all tariff lines)[e]	38.3	37.2	37.7
11.	Total number of tariff lines at the 8-digit level	8,299	8,525	8,525

n.a. Not applicable.

a *Ad valorem* equivalents (AVEs) were estimated based on 2015 import data at the 8-digit tariff. If no import data were available for 2015, 2014 import data were used in calculations.
b AVEs were estimated based on 2020 import data at the 8-digit tariff. If no import data were available for 2020, 2019 import data were used in calculations.
c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
d International tariff peaks are defined as those exceeding 15%.
e Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: All tariff calculations exclude the 320 in-quota lines.
The tariff schedules are based on HS12 nomenclature for 2016 and on HS17 nomenclature for 2017.

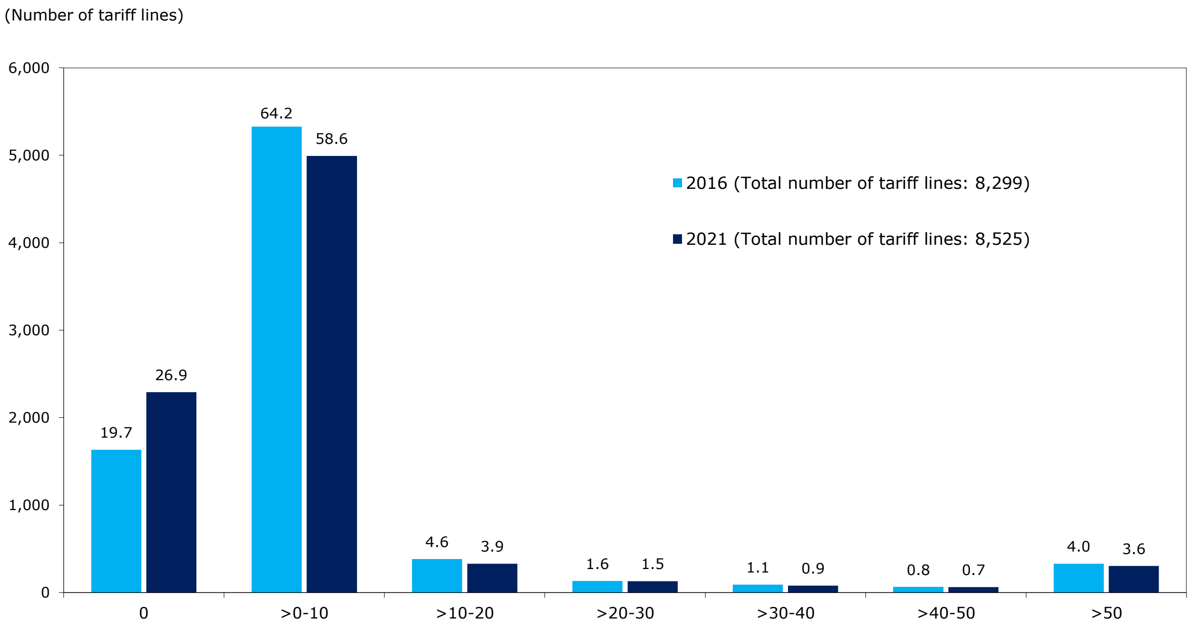
Source: WTO Secretariat calculations, based on data provided by the authorities.

[25] By way of example, see WTO document WT/TPR/S/355/Rev.1, 22 September 2017, Table 3.2.

3.27. The maximum rate on an AVE basis of 671.3% is applied to out-of-quota imports of fresh or chilled lollo lettuce (excluding red lollo lettuce), from 1 March to 20 December, out of tariff quota (0705 1949); followed by fresh or chilled red lollo lettuce, from 1 March to 20 December, out of tariff quota (0705 1939, 663.4%); then fresh or chilled cut-and-come-again chicory, from 1 March to 20 December, out of tariff quota (0705 2969, 608.3%), and frozen breasts of fowls of the species *Gallus domesticus*, out of tariff quota (0207 1489, 536.0%). Rates higher than 100% only apply to agriculture, mainly in vegetables (HS 07), meat (HS 02), and dairy products (HS 04). Within agriculture, animals and animal products, and dairy products are the product groups with the highest import duties. Some agricultural product groups such as animals and animal products; dairy products; and fruits, vegetables, and plants display higher standard deviations, implying larger tariff ranges within these product categories (Table A3.1).

3.28. Some 85.5% of all tariff lines carry rates of 10% or below (compared with 83.9% in 2016) (Chart 3.1). Duty-free treatment applies to 26.9% of tariff lines, up from 19.7% in 2016, *inter alia*, due to the temporary suspension of tariffs on textile products (Section 3.1.3.5) as well as Information Technology Agreement (ITA) expansion.[26] Duty-free treatment covers a wide range of products such as fish and crustaceans, nuts, fruits, tea, some cereals, certain organic chemicals, medical equipment, agricultural equipment, furniture, and products granted duty-free treatment under the Pharmaceutical Initiatives, the ITA, ITA expansion, and the Agreement on Trade in Civil Aircraft.

Chart 3.1 Breakdown of estimated applied MFN tariffs, 2016 and 2021



Note: Figures above the bars refer to the percentage of total lines. Calculations exclude in-quota rates. They do not add to 100% since some AVEs were not available (4.1% and 4.0% of all lines in 2016 and 2021, respectively).

Source: WTO Secretariat calculations, based on data provided by the authorities; and WTO document WT/TPR/S/355/Rev.1, 22 September 2017.

3.1.3.2 Tariff rate quotas

3.29. Tariff rate quotas apply to a number of agricultural products, comprising 3.7% of all tariff lines in 2021 (down from 3.8% in 2016) (Table 3.3). These mainly cover edible vegetables, meat and edible meat offal, fruit juices, fresh fruits, cut flowers, live animals, dairy products, wine, and certain cereals. Tariff rate quotas can be autonomously increased, mainly to mitigate domestic

[26] The elimination of duty rates due to ITA expansion was mainly for items under HS Chapters 85 and 90.

shortages.[27] The process of quota allocation varies according to the product (Section 4.1). Tariff rate quotas are managed by an electronic application ("e-quota") during the customs declaration.

3.30. Switzerland provides either preferential in-quota rates within its MFN tariff rate quotas or specific bilateral tariff rate quotas. Switzerland has 320 applied MFN in-quota tariff lines. Under certain regional trade agreements, Switzerland has opened specific bilateral tariff rate quotas for certain products (Table 3.4).

Table 3.4 Preferential tariff rate quotas, by tariff regime, 2021

	Tariff preferences on products covered by WTO TQs	Specific bilateral tariff rate quotas
	(Number of tariff lines at the 8-digit level)	
MFN applied duty rates	320	n.a.
European Free Trade Association (EFTA)	190	n.a.
European Union	42	48
		Bilateral agreements
China	262	n.a.
Japan	136	4
Faroe Islands	3	n.a.
		EFTA agreements
Albania	100	2
Bosnia and Herzegovina	108	3
Canada	7	1
Chile	171	3
Colombia	188	3
Costa Rica	148	n.a.
Ecuador	134	3
Egypt	86	7
Gulf Cooperation Council (GCC)	44	n.a.
Georgia	196	n.a.
Hong Kong, China	32	n.a.
Israel	51	2
Indonesia	151	10
Jordan	80	1
Korea, Republic of	186	n.a.
Lebanon	102	2
Mexico	43	n.a.
Montenegro	107	5
Morocco	95	n.a.
North Macedonia	69	n.a.
Palestinian Authority	32	n.a.
Panama	78	n.a.
Peru	188	3
Philippines	35	3
Southern African Customs Union (SACU) excl. Lesotho	191	12
Serbia	107	n.a.
Singapore	8	n.a.
Tunisia	18	1
Turkey	52	6
Ukraine	125	1
United Kingdom	37	45
		Non-reciprocal
GSP	183	3
LDC[a]	n.a.	n.a.

n.a. Not applicable.

a LDCs benefit from the duty-free and quota-free treatment.

Note: The tariff schedule separates tariff lines for in-quota (320 at the 8-digit tariff line level) and out-of-quota tariffs (318 at the 8-digit tariff-line level). Calculations are based on applied tariffs valid in December 2021. The figures correspond to numbers of in-quota tariff lines; the preferences cover all and partial (ex-out) tariff lines at the 8-digit level.

Source: Information provided by the Swiss authorities.

[27] The legal basis for TQ modifications is Article 21 of the Law on Agriculture (RS 910.1).

3.31. Seasonal tariffs apply to 95 products and are levied mostly on fruits and vegetables produced domestically, most of which are also subject to TQs.

3.1.3.3 Bound duties

3.32. Switzerland-Liechtenstein tariff commitments are formulated as specific duties. As a result of the Uruguay Round, 99% of the Switzerland-Liechtenstein tariff lines are bound. Unbound tariff lines cover 83 tariff lines (at the HS 8-digit level) for gas, petroleum, and related products. The simple average bound tariff for 2021 was estimated at 11.7% (43.0% for agricultural products and 2.3% for non-agricultural products) and 17.5% of all tariff lines are duty-free (WTO definition) (Table 3.3).

3.1.3.4 Other duties and charges

3.33. Switzerland and Liechtenstein have bound ODCs on the tariff lines covered in their schedule of concessions at zero. However, two of the private-sector compulsory stock organizations operating the Swiss Government's compulsory stock requirements (namely CARBURA and Réservesuisse) apply levies uniquely on imports to finance storage costs and associated risks through their so-called "guarantee funds". These levies are collected by the two organizations, with import data being provided by the FOCBS. The other organizations' (Helvecura, Agricura, and Provisiogas) guarantee funds are financed by charges on both imported and domestically produced goods when they are placed on the market (i.e. they are included in the sales price with the cost being borne by the consumer).[28] Charges are the same for imported and domestically produced goods. The guarantee fund contributions for 2021 are set out in Table 3.5. Compulsory stocks are also available to Liechtenstein. Over the review period, there have been no changes to the commodity groups subject to compulsory stockpiling.

Table 3.5 Guarantee fund contributions, 2021

	Guarantee fund contribution (GFC)
Réservesuisse (foodstuffs)	
Animal feed	CHF 0-4.0/100 kg gross
Cereals for human consumption	CHF 0-4.0/100 kg gross
Rice for human consumption	CHF 0-5.2/100 kg gross
Coffee	CHF 0-5.22/100 kg gross (depending on the yield factor, a higher contribution is levied for extracts, essences, and concentrates of coffee)
Edible fats and oil	CHF 0-17.65/100 kg gross
Sugar	CHF 0-7.0/100 kg gross
CARBURA (energy)	
Car gasoline	CHF 3.00/100 kg gross
Diesel oil	CHF 4.50/100 kg gross
Jet fuel	CHF 7.00/100 kg gross
Heating oil	CHF -15/m^3 [a]
Agricura	
Fertilizers	CHF 3.00/100 kg gross
Helvecura	
Therapeutic products	0-2.2%/price ex-factory
Provisiogas	
Natural gas, liquefied/gaseous state	CHF 0.017 ct/kWh

a As indicated by the authorities, due to declining consumption, the volume of heating oil stocks is being reduced. These specific surpluses are being returned to importers of heating oil through negative guarantee fund contributions.

Source: Compiled by WTO Secretariat, based on information provided the authorities; and Réservesuisse, *Tariffs of the Guarantee Fund Contributions*.

[28] Federal Office for National Economic Supply, *Organisations of Compulsory Stocks*. Viewed at: https://www.bwl.admin.ch/bwl/en/home/themen/pflichtlager/pflichtlagerorganisationen.html.

3.34. As at the time of the previous Review, since ODCs are bound at zero and applied tariffs often equal the bound rates, it is possible that the sum of tariff and guarantee fund contributions may exceed Switzerland's bound commitments on several tariff lines (Table 3.6).

Table 3.6 Guarantee fund contributions, applied tariffs and bound tariffs

Tariff code	Item	Guarantee fund contribution (CHF 100 kg gross)	2021 applied tariff (CHF 100 kg gross)	Bound tariff (CHF 100 kg gross)
Rice				
10061090	Rice (paddy or rough), for direct consumption	5.20	0.0	0.0
10061090	Rice (paddy or rough), for further processing	3.12	0.0	0.0
10062090	Rice, husked (cargo or brown)	5.20	0.0	0.0
10063090	Rice, semi-milled or wholly milled	5.20	0.8	0.8
10064090	Broken rice	5.20	0.8	0.8
Coffee				
09012100	Coffee, roasted, not decaffeinated	5.22	63.0	63.0
09012200	Coffee, roasted, decaffeinated	5.22	63.0	63.0
21011100	Extracts, essences and concentrates of coffee (unmixed)	10.28	182.0	182.0
21011100	Extracts, essences and concentrates of coffee, unmixed (processing traffic)	8.86	182.0	182.0
21011100	Coffee extract, liquid/frozen	3.08	182.0	182.0
21011219	Coffee extract, mixed, other, more than 60%	10.28	182.0	182.0
21011219	Coffee extract, mixed, other, more than 10% but not more than 20%	2.06	182.0	182.0
21011219	Coffee extract, mixed, other, more than 20% but not more than 30%	3.08	182.0	182.0
21011219	Coffee extract, mixed, other, more than 50% but not more than 60%	6.17	182.0	182.0
Fats and oils				
15179068	Other edible oils/fats, of a milkfat content by weight exceeding 10% but not exceeding 15%, other, other packing type	17.31	236.7	254.0

Source: Information complied by the WTO Secretariat, based on information from Réservesuisse. Viewed at: https://www.reservesuisse.ch/tariffs-of-the-guarantee-fund-contributions/?lang=en [November 2021]; and tariff data provided by the authorities.

3.1.3.5 Tariff exemptions and reductions

3.35. In 2019, the Federal Council renewed and expanded a temporary reduction on customs duties on textiles, which had been in place from 2015 to 2019. The Ordinance on the Temporary Reduction of Customs Duties on Textile Materials and Intermediate Materials (RO 2019 1611; RS 632.102.1) entered into force on 1 July 2019 and will have effect until 31 December 2023. It covers 522 tariff lines (at the HS 8-digit tariff line level) in Chapters 50, 51, 52, 53, 54, 55, 56, 58, 59, and 60, of which 15 tariff lines may not benefit from the suspension programme if these items are used for retail sale or are in ready-to-use form. All importers, irrespective of their origin, may benefit from tariff suspensions. This represents a significant increase in the number of duty-free tariffs compared with the previous regime (Table 3.7). It was put in place in response to a request from the Swiss Textiles Association, whose member companies rely heavily on imports of input and intermediary materials for production.[29]

[29] Federal Council (2019), "Federal Council Once Again Lowers Customs Duties for Textile Industry", 1 May.

Table 3.7 Suspension of customs duties in the textiles sector, 2015-19 and 2019-23

(No. of tariff lines at the 8-digit code by HS 2-digit code)

HS code	Product description	2015-19[a]	2019-23[b]
50	Silk	n.a.	13
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	n.a.	41
52	Cotton	7	164
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	n.a.	15
54	Man-made filaments; strip and the like of man-made textile materials	21	77
55	Man-made staple fibres	2	152
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	3	3
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	5	5
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	7	7
60	Knitted or crocheted fabrics	16	45
Total		61	522

n.a. Not applicable.

a Decision made on 18 November 2015. Effective period from 1 January 2016 to 1 July 2019.
b Decision made on 1 May 2019. Effective period from 1 July 2019 to 1 January 2024.

Source: Ordinance on the Temporary Reduction of Customs Duties on Textiles (RO 2015 4935); and Ordinance on the Temporary Reduction of Customs Duties on Textile Materials and Intermediate Materials (RO 2019 1611).

3.36. Beside the tariff suspension system, Switzerland and Lichtenstein maintain various tariff exemptions and reductions under different laws and ordinances.

3.37. Under the Federal Law on Customs Tariffs, the Federal Council may reduce tariffs or exempt imports from duties in exceptional circumstances such as shortages of foodstuffs or other essential goods.[30] On 20 August 2018, owing to drought conditions, the Federal Council temporarily eliminated customs duties on four feeding lines of the Swiss customs tariff[31]; zero duties for these lines were in effect from 1 September until 31 October 2018. In addition, on 8 April 2020, the Federal Council set a zero duty for certain medical goods comprising 41 tariff lines[32]; this was in effect between 10 April 2020 and 9 October 2020 inclusive.

3.38. In addition, a variety of customs duty reliefs in the form of different schemes are provided when entering the customs union between Switzerland and Liechtenstein, such as the temporary admission of goods/inward processing, customs relief by type of use and for animal feed, duty-free warehouses, and open customs warehouses. There have been no substantive changes to these provisions since January 2017 (Table 3.8).

Table 3.8 Key features of tariff exemptions and reductions, 2021

Scheme	Summary	Relevant laws/ ordinance
Duty-free movement of goods	• Goods eligible for exemption under international conventions (the exemption can be restricted or suspended temporarily or durably for goods from countries that do not grant reciprocity) • Customs privileges for diplomats: exemption from customs duties and VAT is granted on the importation of goods that are intended for the official use of embassies, consulates, international organizations and missions as well as for the personal use of members of representations who have diplomatic status • Coffins, and funerary urns and ornaments • Prizes, commemorative badges, and gifts of honour • Stocks on dining cars of international trains; and stocks, spare parts, and equipment on board boats and aircrafts • Legal payment means, bonds, manuscripts and documents with no value for collection, stamps, as well as foreign public transport tickets	RS 631.0 RS 631.01

[30] Federal Law on Customs Tariffs (RS 632.10), Section 3.
[31] RO 2018 3047.
[32] RO 2020 1197.

Scheme	Summary	Relevant laws/ ordinance
	• Items for returning residents, wedding trousseau (e.g. items for household, wedding gifts), and inheritance • Goods for charitable institutions and for poor persons • Cars for disabled people • Objects for teaching and research • Works of art and exhibition objects for museums • Instruments and devices for medical examination or treatment of patients in hospitals or similar facilities • Studies and works of Swiss artists staying temporarily abroad for study • Border trade, and animals from border waters • Commercial samples and specimens • Indigenous packing material • The Confederation's war material • Capital goods and capital items of foreign companies that transfer their activities to the customs territory	
Temporary imports	The Federal Council may provide partial or full exemption from import duties on foreign goods for temporary admission into the customs territory or on indigenous goods after temporary admission into the foreign customs territory. The temporary admission procedure is generally restricted to two years (but a one-year extension may be requested no more than three times) after which the goods are re-exported without being modified. Customs offices require a deposit equivalent to the import duties, which would be payable in the case of permanent importation (release into free circulation). In the case of a full and punctual re-exportation of the goods, the deposit is returned. Almost all goods can be imported under temporary admission. The main categories of goods eligible for temporary admission include professional equipment, goods for exhibitions and trade fairs, certain means of transport (e.g. racing motor vehicles) and packaging.	RS 631.0 RS 631.01
Inward-processing regime	Goods under the inward-processing regime may be subject to partial or full exemption from import duties when entering Switzerland. In addition, in certain cases, imported goods can be exempted from VAT. The inward-processing procedure can be applied to goods that are temporarily processed in Switzerland. Under the scheme, the imported goods must be intended for re-exportation within 12 months of the date of the temporary importation after having undergone manufacturing, processing, or repair. The approval of the Swiss FOCBS is required.	RS 631.0 RS 631.01 RS 631.016
Duty relief		
By type of use	Goods may be imported at reduced duties depending on their final use. Importers that wish to claim for the duty relief must present an end-use commitment and obtain a permit from the General Directorate of Customs. Annex 1 of Ordinance on Customs Relief (RS 631.012) determines goods being brought into the customs territory under the customs tariff relief scheme. The scheme covers mainly agricultural products and certain manufacturing products.	RS 631.0 RS 631.01 RS 631.012
Food for zoo, laboratory, and other animals	Exemptions from customs duties may apply to forage products intended for animal food (e.g. animals in zoos, animals used for scientific purposes, wild animals, fish, dogs, cats and other animals kept in apartments, not for the purpose of food production).	RS 631.0 RS 631.01 RS 631.012
Duty-free warehouses	Goods can be temporarily stored without paying import duties. Goods are moved via the transit procedure from the border to the duty-free warehouse. After temporary storage, the goods can be either imported or exported from the customs territory as part of the transit procedure. The following goods can be temporarily stored in a duty-free warehouse without paying tax: highly taxed goods or goods subject to a quota, and goods stored on a temporary basis whose end use is not yet certain.	RS 631.0 RS 631.01 RS 631.013
Open customs warehouses (OCWs)	A warehouse operator can store their own or third-party foreign goods (within Swiss customs territory). Goods are moved in transit from the border to the warehouse (approved place) without any customs duties or taxes being paid. The main benefits of an OCW are: (i) temporary storage without paying any import duties; (ii) import duties must be paid after the end of stockpiling for goods for sale in the customs territory; and (iii) goods remain at a warehouse and do not have to be sent to a specific customs office for any clearance formalities.	RS 631.0 RS 631.01 RS 631.013

Source: Information compiled by the WTO Secretariat, based on laws and ordinances as noted in the table; and the Swiss FOCBS, *Import Procedure*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/information-companies/declaring-goods/importation-into-switzerland.html [December 2021].

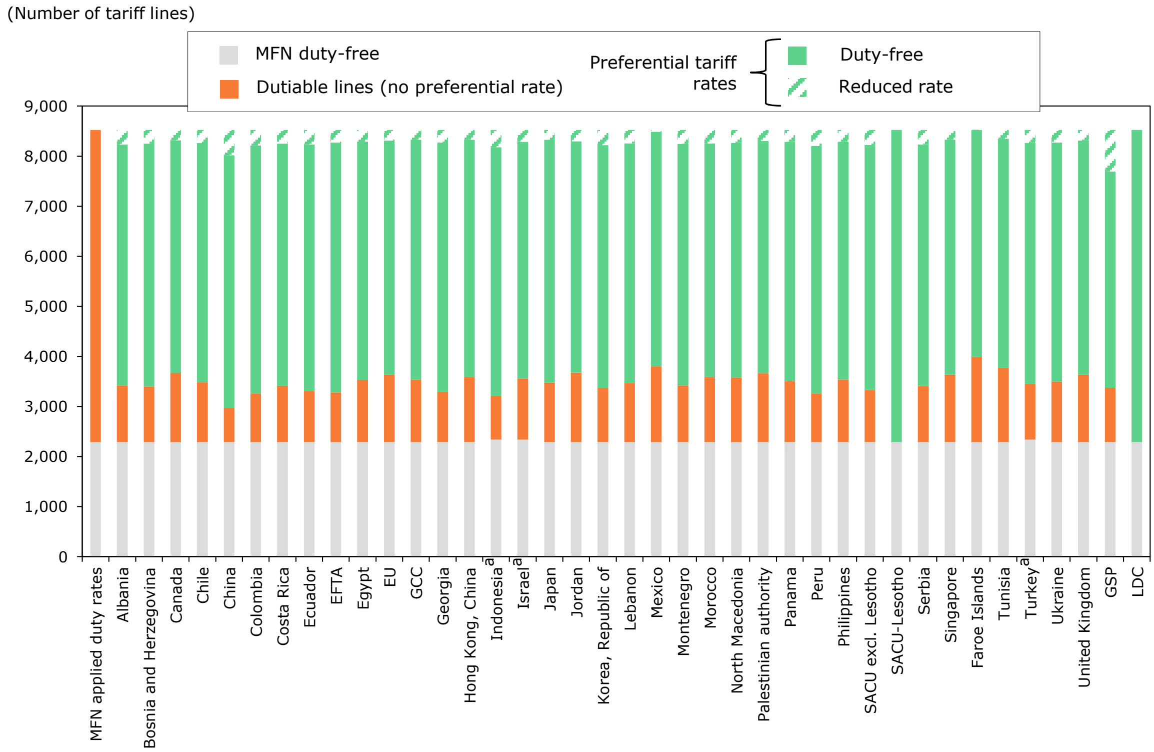
3.1.3.6 Tariff preferences

3.39. Under the customs union between Switzerland and Lichtenstein, all goods are freely traded between the two countries. However, they remain subject to the Market Control and Surveillance Mechanism (Section 2.3.2.3). The bilateral agreements between the European Union and

Switzerland and the EEA Agreement (for Lichtenstein) provide for free trade in most non-agricultural products with a valid certificate of origin. In addition to the European Union and the EFTA Convention, Switzerland and Liechtenstein have engaged in several FTAs within the ambit of EFTA and four bilateral agreements with China, the Faroe Islands, Japan, and the United Kingdom (Section 2.3.2).

3.40. Under the RTAs (i.e. reciprocal free trade agreements), on average 59.4% of all tariff lines in 2021 (excluding applied MFN duty-free), which represent a further 26.9% of all tariff lines (excluding in-quota tariff lines) are eligible for preferential tariff rates at zero or at reduced rates (i.e. lower than the applied MFN rate) with a proof of origin (Chart 3.2). Again, preferential tariff rates are formulated as specific duties.

Chart 3.2 Breakdown of applied MFN and preferential tariffs, 2021



a Calculations are based on applied tariffs valid in December 2021.

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

3.41. Under RTAs, duty-free treatment is granted to at least 99.9% of non-agricultural imports, while preferences are granted on a limited range of agricultural products (WTO definition). As a result, the simple average tariff rates for agriculture are in general just slightly lower than the average MFN tariff rate of 25.4%, ranging from between 22% to 25.2%. Tariffs on non-agricultural products (WTO definition) are nearly all zero (Table 3.9).

Table 3.9 Tariffs under preferential agreements, 2021

	Simple average tariff (%)[a]			Duty-free lines in total		
	All	WTO agriculture	WTO non-agriculture	All	WTO agriculture	WTO non-agriculture
MFN applied duty rates	7.2	25.4	1.7	26.9	19.5	29.3
EFTA	5.3	22.8	0.0	85.4	42.3	99.9
European Union	5.3	23.0	0.0	81.7	30.3	99.0
Bilateral agreements						
China	5.2	22.0	0.0	86.0	45.0	99.8
Japan	5.5	23.8	0.0	83.8	35.8	99.9
Faroe Islands	5.8	25.2	0.0	80.0	20.6	99.9

	Simple average tariff (%)[a]			Duty-free lines in total		
	All	WTO agriculture	WTO non-agriculture	All	WTO agriculture	WTO non-agriculture
United Kingdom	5.3	23.0	0.0	81.7	30.3	99.0
EFTA agreements						
Albania	5.5	23.9	0.0	83.3	33.9	99.9
Bosnia and Herzegovina	5.4	23.5	0.0	83.8	35.7	99.9
Canada	5.6	24.2	0.0	81.4	26.1	100.0
Chile	5.5	24.0	0.0	82.9	32.3	99.9
Colombia	5.3	23.0	0.0	84.9	40.3	99.9
Costa Rica	5.5	23.9	0.0	83.6	35.0	99.9
Ecuador	5.4	23.3	0.0	84.6	39.1	99.9
Egypt	5.5	23.9	0.0	82.8	31.9	99.9
GCC	5.5	24.0	0.0	83.0	32.8	99.9
Georgia	5.3	23.0	0.0	85.3	41.8	99.9
Hong Kong, China	5.5	24.2	0.0	82.5	30.6	99.9
Indonesia[b]	5.0	21.6	0.0	85.7	43.5	99.9
Israel[b]	5.5	24.1	0.0	82.9	32.3	99.9
Jordan	5.6	24.2	0.0	81.0	25.1	99.9
Korea, Republic of	5.5	23.8	0.0	83.8	35.9	99.9
Lebanon	5.5	24.0	0.0	83.0	32.8	99.9
Mexico	5.7	24.9	0.0	81.8	28.0	99.9
Montenegro	5.5	23.8	0.0	83.4	34.4	99.9
Morocco	5.5	24.1	0.0	81.6	27.3	99.9
North Macedonia	5.5	24.1	0.0	81.8	28.1	99.9
Palestinian Authority	5.5	24.2	0.0	81.3	25.8	99.9
Panama	5.5	24.0	0.0	82.9	32.4	99.9
Peru	5.3	23.1	0.0	84.8	40.1	99.9
Philippines	5.5	23.8	0.0	82.5	30.9	99.9
SACU – Lesotho[b]	0.0	0.0	0.0	100.0	100.0	100.0
SACU excl. Lesotho	5.4	23.5	0.0	84.3	37.9	99.9
Serbia	5.4	23.7	0.0	83.4	34.4	99.9
Singapore	5.5	24.2	0.0	81.9	28.4	99.9
Tunisia	5.6	24.5	0.0	80.6	23.3	99.8
Turkey[b]	5.3	22.8	0.0	84.0	36.7	99.9
Ukraine	5.5	24.0	0.0	82.8	32.1	99.9
Non-reciprocal						
GSP	5.7	23.8	0.3	77.5	36.8	91.2
GSP – Democratic People's Republic of Korea	5.9	23.8	0.5	77.0	36.8	90.6
GSP – Brazil	5.7	23.8	0.3	77.5	36.7	91.2
LDC[c]	0.0	0.0	0.0	100.0	100.0	100.0

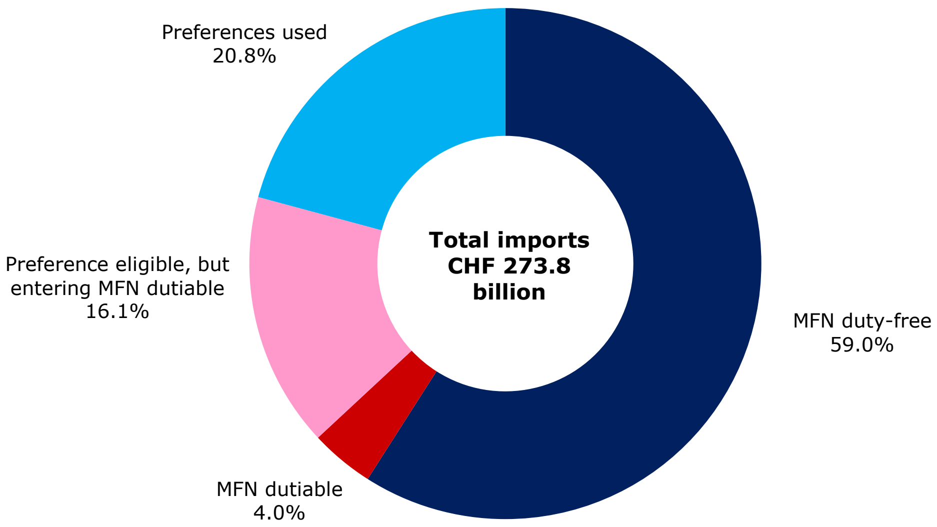
Note: All tariff calculations exclude in-quota lines. The tariff schedules are based on HS17 nomenclature, consisting of 8,525 tariff lines (at the 8-digit tariff line level).

a *Ad valorem* equivalents (AVEs) were estimated based on 2020 import data at the 8-digit tariff level. If no import data were available for 2020, 2019 import data were used in calculations.
b Calculations are based on applied tariffs valid in December 2021.
c Duty-free treatment for all products.

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

3.42. In 2020, nearly 60% of the value of all imports into Switzerland entered duty-free. While a further 36.9% of imports were eligible for preferences, just over half of these entered using preferential tariff rates (Chart 3.3). Preference utilization varies significant among beneficiaries, for example, in 2020 it ranged from zero to 92.2% (Table A3.2).

Chart 3.3 Swiss imports by tariff regimes, 2020



Note: Calculations based on general total (total 2) with gold bars and other precious metals, coin, precious stones and gems, as well as works of art and antiques.

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

3.43. Within the framework of the GSP (Section 2.3.3.1), Switzerland and Liechtenstein grant non-reciprocal preferential tariff treatment for goods originating in beneficiary countries (71 developing countries and 48 LDCs benefit from such preferences, with LDCs benefitting from duty-free and quota-free access for all products).[33] Over the review period, the Philippines and Georgia were removed from the list of GSP beneficiaries in 2018, as were Ecuador in 2020 and Indonesia from 2021. Preferences given to non-LDC GSP countries are more limited, especially for agricultural products, where the average tariff rate under the GSP is 23.8% compared to an average applied MFN rate of 25.4% (Table 3.9). According to data provided by the Swiss authorities, in 2020, CHF 5,974.1 million of imports from GSP beneficiaries (excluding GSP economies that have RTAs with Switzerland and Liechtenstein and LDCs) were eligible for tariff preferences and the preference utilization rate was 21.2%. Taking LDCs alone, approximately CHF 1,191.7 million of imports were eligible for preference and the preference utilization rate was 21.3% (Table A3.2).

3.1.4 Import prohibitions, restrictions, and licensing

3.44. As at the time of the previous Review, Switzerland and Liechtenstein continue to apply import prohibitions largely for reasons of security, health, and protection of the environment (Table 3.10). Additionally, some import prohibitions are applied by both Switzerland and Liechtenstein in the context of UN Security Council Resolutions or EU sanctions regulations.[34] Since the previous Review in 2017, additional import prohibitions or restrictions have been introduced in the context of sanctions against the Democratic People's Republic of Korea (especially textiles and statues; machinery, electrical equipment and vessels; and fish, seafood, food of plant origin, and agricultural products) and the sanctions against Belarus (petroleum and petroleum products; potassium chloride products).

[33] Ordinance Determining the Preferential Customs Tariffs for Developing Countries (RS 632.11).
[34] The full list of current sanctions is available online from SECO. Viewed at: https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/exportkontrollen-und-sanktionen/sanktionen-embargos/sanktionsmassnahmen.html.

Table 3.10 Selected products subject to import prohibitions, 2021

Products	Legal basis (agreement)	Purpose
Endangered species and their products	Federal Law on the Movement of Protected Species of Fauna and Flora (RS 453), Federal Law on Fishing (RS 923.0), and Federal Law on Hunting (RS 922.0)	Environmental protection
Mercury and products containing mercury	Federal Law on the Protection of the Environment (RS 814.01)	Environmental protection and human health protection
Rough diamonds shipped from a country that is not a participant in the Kimberley Process Certification Scheme (KPCS)	Federal Law on the Application of International Sanctions (RS 946.231) and the Ordinance on International Trade in Rough Diamonds (RS 946.231.11)	Combating international trade in conflict diamonds
Certain chemicals originating from non-member States of the Chemical Weapons Convention	Chemical Weapons Convention (RS 0.515.08), and Ordinance on the Control of Chemicals for Civil and Military Purposes (RS 946.292.21)	Prevention of proliferation of weapons of mass destruction
Certain dangerous chemical and pesticide products	Federal Law on the Protection Against Dangerous Substances and Preparations (RS 813.1)	Environmental protection and human health protection
Ozone-depleting substances	Federal Law on Protection against Dangerous Substances and Preparations (RS 813.1), and Federal Law on the Protection of the Environment (RS 814.01)	Environmental protection
Certain dangerous waste	Federal Law on the Protection of the Environment (RS 814.01)	Environment protection
Fish coming from illegal, unreported, and unregulated (IUU) fishing	Federal Law on the Movement of Protected Species of Flora and Fauna (Ordonnance sur le contrôle de l'origine licite des produits de la pêche maritime importés (RS 453.2))	Prevention of IUU fishing
Nuclear, chemical, and biological weapons, anti-personnel mines as well as cluster munitions	Federal Act on War Materials (RS 514.51)	Security
Certain toxic and/or environmentally hazardous chemical substances	Ordinance on the Reduction of Risks relating to the Use of Certain Particularly Dangerous Substances, Preparations and Articles (RS 814.81)	Environmental protection and public health and safety
Certain plants (including certain seeds), certain plants for planting, tubers of Solanum spp (including potatoes), certain living parts of plants (including certain fruits and vegetables), certain bark, and soil are permanently or temporarily subject to an import prohibition (depending on the country of origin)	Ordinance on the Protection of Plants against Particularly Dangerous Harmful Organisms (Plant Health Ordinance, PgesV, RS 916.20) Interdepartmental Federal Department of Economic Affairs, Education and Research (EAER) and Federal Department of Environment, Transport, Energy and Communication (DETEC) Ordinance on the Plant Health Ordinance (RS 916.201) FOAG Ordinance on Phytosanitary Measures for Agriculture and Horticulture (RS 916.202.1) FOEN Ordinance on Phytosanitary Measures for Forests (RS 916.202.2)	Plant health (prohibition concerns high-risk commodities)
Certain mercury containing carbon-zinc batteries and alkali-manganese batteries/accumulators	Ordinance on the Reduction of Risks relating to the Use of Certain Particularly Dangerous Substances, Preparations and Articles (RS 814.81)	Environmental protection
Misappropriated cultural property from Iraq and Syria	Ordinance on Measures against the Republic of Iraq (RS 946.206) and Ordinance on Measures against Syria (RS 946.231.172.7)	Protection of cultural property
Goods from the Crimea and Sebastopol if not accompanied by a certificate of origin issued by the Ukrainian authorities	Ordinance on Measures to Prevent the Circumvention of International Sanctions Related to the Situation in Ukraine (RS 946.231.176.72)	International law and security

Note: Several sanctions regimes are not included in the table, the details of which were viewed at: https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/exportkontrollen-und-sanktionen/sanktionen-embargos/sanktionsmassnahmen.html.

Source: WTO documents WT/TPR/S/355/Rev.1, 22 September 2017; and G/MA/QR/N/CHE/3, 22 July 2020; and information provided by the authorities.

3.45. The import licensing regime of Switzerland and Liechtenstein for 2021 was notified to the WTO in the same year.[35] Changes over the review period to licensing and authorization requirements were the removal of import authorization requirements for alcohol with an ethanol content greater than 80% volume on 1 January 2019 and the introduction of import licensing requirements to fulfil Switzerland's obligations under the Minamata Convention on Mercury, which it ratified in May 2017.

3.46. An automatic import licence (general import licence (PGI)) is required for a wide range of agricultural products (some 650 tariff lines at the HS 8-digit level, including in-quota lines). It is obtained free of charge from the Federal Office of Agriculture (FOAG), and it is for an unlimited duration; it is used for statistical reasons and for the management of TQs.[36] Additionally, under Switzerland's compulsory reserves framework (Section 3.1.3.4) a PGI must be obtained from CARBURA for imports of fuels and from Réservesuisse for imports of food and feedstuffs.[37] Automatic licences are granted on the condition that the importer has a reserve stock contract or pays a contribution to the guarantee funds administered by CARBURA or Réservesuisse.

3.47. Non-automatic licences are used for allocating some parts of certain TQs on agricultural products to authorized operators; they may be transferred to other authorized operators and are for limited periods. In accordance with Switzerland's notification[38], the TQs in question are: live bovine animals (CHEQ002), animals for slaughter (CHEQ005 and CHEQ006), some dairy produce (CHEQ007), cut flowers (CHEQ013), potatoes (CHEQ014), fresh and frozen vegetables (CHEQ015, CHEQ016), and fresh fruit (CHEQ017, CHEQ018, CHEQ019).[39]

3.48. For SPS reasons, certain imports of animals and animal products require an authorization from the Federal Food Safety and Veterinary Office. Imports from the European Union, Norway, and Iceland are largely exempt from this requirement. Vegetable and vegetable products no longer need an authorization from the Federal Office for Agriculture but must be accompanied by a phytosanitary certificate.

3.49. Licences are also required for: (i) imports of species covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora; (ii) reproductive forestry materials; (iii) organs, tissue, and cells of human origin intended to be transplanted; (iv) blood, blood products, and immunological products; (v) narcotics, psychotropic substances, and precursors used and marketed for legal purposes; (vi) war materials and arms; (vii) explosives and pyrotechnic articles for civilian use; (viii) nuclear fuels, residues, and wastes; radioactive materials; (ix) mercury; (x) dangerous waste; (xi) dual-use goods; (xii) certain dangerous chemical and pesticide goods; and (xiii) ozone-depleting substances.[40]

3.1.5 Anti-dumping, countervailing, and safeguard measures

3.50. As at the time of their previous Review, neither Switzerland nor Liechtenstein has any specific legislation on contingency measures, they have no specialized authorities in place to initiate and conduct anti-dumping and countervailing investigations, and they have no anti-dumping, countervailing, or safeguard measures in place. In the context of this Review, the authorities indicate that no legislative reforms are under way to establish specific trade remedy regulations. However, they note that since the Agreement on Safeguards, the Anti-Dumping Agreement, and the

[35] WTO document G/LIC/N/3/CHE/17, 4 October 2021. Permit and licensing requirements are also contained in WTO document G/MA/QR/N/CHE/3, 22 July 2020.

[36] The goods falling under the PGI regime (including the agricultural goods subject to compulsory reserves) are contained in Annex 1 to the Ordinance on the Importation of Agricultural Products (RS 916.01). The legal basis for general import licences is the Federal Law of 29 April 1998 on Agriculture (RS 910.1); this Law gives the Federal Council the right to determine the products subject to import licensing and also to abolish the system. The tariff lines for which a PGI is required are contained in the Tares database (www.tares.ch).

[37] The Federal Council may impose authorization requirements for the import of goods that must be stockpiled. Viewed at: https://www.fedlex.admin.ch/eli/cc/2017/308/en. In 2021, some 530 tariff lines at the HS 8-digit level require a PGI from Réservesuisse. There are no tariff lines that require a PGI from the FOAG and Réservesuisse.

[38] WTO document G/AG/N/CHE/108, 6 May 2021.

[39] The legal basis for these licences is the Federal Law of 29 April 1998 on Agriculture (RS 910.1), the Ordinance on the Importation of Agricultural Products (RS 916.01), and other specific ordinances as set out in WTO document G/AG/N/CHE/108, 6 May 2021.

[40] WTO documents G/LIC/N/3/CHE/17, 4 October 2021; and G/MA/QR/N/CHE/3, 22 July 2020.

Agreement on Subsidies and Countervailing Measures are integral parts of national law (under both Switzerland's and Liechtenstein's legal systems), these could serve as a legal basis for measures in the future.

3.51. Switzerland reserved the right to use the special agricultural safeguard under Article 5 of the Agreement on Agriculture for 1,176 tariff lines but has not invoked it for any product since 1999.[41]

3.52. As noted in previous Reviews, in cases of emergency or when the national interest is at stake, the legislation provides for changes in tariff rates or the imposition of non-tariff measures.[42] These provisions have not been used during the review period.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.53. Export procedures for Switzerland and Liechtenstein remain similar to those for imports. An export declaration is required (for statistical purposes) and goods must be exported within one day of submission of the customs declaration. The declaration must be made electronically through one of the various portals (e-dec, e-dec web, NCTS, or Rail Control) (Section 3.1.1). As indicated in Section 3.1.1, e-dec and the NCTS will progressively be integrated into a new customs single window (Passar). Goods delivered to a duty-free or customs warehouse must be exported within six months of the submission of the customs declaration. Under a simplified export process (Libero export) that was introduced in July 2020, an authorized forwarding company can independently select export customs declarations in the IT system without presenting them at the customs counter and directly export and transport the permitted goods. This is a temporary optimization in the export process until the introduction of Passar, when Libero export will become obsolete. Over the review period, physical inspections were undertaken for under 1% of customs clearances on an annual basis (Table 3.11).

Table 3.11 Physical inspections on exports by customs, 2017-21

	Value (CHF)	Number of customs clearances	Number of physical checks (%)
2017	231,853,850,923	5,917,751	5,508 (0.09)
2018	254,147,398,031	6,232,622	4,317 (0.07)
2019	286,337,489,573	6,214,402	3,302 (0.05)
2020	289,333,481,260	5,812,222	2,206 (0.04)
2021	333,157,082,354	6,208,994	1,980 (0.03)

Source: Information provided by the authorities.

3.54. There have been no substantial changes to the legislation on non-preferential rules of origin for Switzerland and Liechtenstein applying to exports claiming Swiss or Liechtenstein origin.[43] Under the non-preferential rules of origin, the country of origin is the country where the goods were wholly obtained or they have been sufficiently worked or processed, which is defined as having foreign content not exceeding 50% or 60% of the ex-works price, a change in the 4-digit heading in the Harmonized System, or (in some cases) subject to specific origin-conferring processing or working. Operations such as packing, cleaning, applying labels or brands, simple mixing, or slaughtering animals and cutting up of meat are insufficient working or processing for conferring origin.[44]

3.2.2 Taxes, charges, and levies

3.55. Export tariffs are provided for in the Federal Law on Customs Tariffs (Article 5), which gives the Federal Council the authority to raise rates in extraordinary circumstances or reduce or suspend

[41] WTO Agriculture Information Management System. Viewed at: http://agims.wto.org.
[42] For example, see Federal Law 9 October 1986 on Customs Tariffs of (RS 632.10), Articles 7 (national interest) and 11 (agricultural products); and Federal Law on External Economic Measures (RS 946.201), Article 1 (emergencies).
[43] Ordinance of 9 April 2008 on Attestation of the Non-Preferential Origin of Goods (RS 946.31); and Ordinance of the EAER of 9 April 2008 on the Certification of the Non-Preferential Origin of Goods (RS 946.311).
[44] WTO document WT/TPR/S/355/Rev.1, 22 September 2017.

their application.[45] The items, in principle, subject to the export tariff are contained in the tariff book (Part 2); they are mostly scrap and waste metals and rough wood. However, in practice, tariffs on these items have been suspended.[46] In the context of this Review, the authorities confirm that neither Switzerland nor Liechtenstein applies any taxes, charges, or levies on exports. Exported goods are exempt from VAT (Section 3.3.1.2.1). Taxes levied on alcoholic beverages under the Alcohol Act and the Alcohol Ordinance are refunded when the goods are exported.[47]

3.56. In general, there are no fees for customs services, although the FOCBS may charge a fee for some services, such as customs clearance outside of office hours.

3.2.3 Export prohibitions, restrictions, and licensing

3.57. As at the time of its previous Review, Switzerland and Liechtenstein maintain restrictions and prohibitions on exports based on foreign and security policy (see below) and on some goods on the grounds of safety, security, the environment, and compliance with international conventions and treaties. These controls largely apply to products also subject to import controls (Section 3.1.4). Goods (products, technology, and software) subject export controls in Switzerland and Liechtenstein are contained in Table 3.12 and were notified to the WTO in 2020. Over the review period, the only change to categories of products subject to export controls was the introduction on 17 March 2020 of non-automatic export licences for certain goods related to the COVID-19 pandemic. These included: (i) protective glasses and visors; (ii) oral-nasal protective equipment; (iii) protective clothes; and (iv) certain active substances or medicines containing certain active substances (propofol, rocuronium bromure, and atracurium besilate). These measures expired on 22 June 2020.[48]

Table 3.12 Selected export controls in Switzerland and Liechtenstein, January 2022

Product	Legal/regulatory basis	Type of restriction (Responsible entity)	Rationale *(relevant treaty/ convention, if applicable)*
Certain animals and plants	Federal Law on the Movement of Protected Species of Fauna and Flora (RS 453); Federal Law on Fishing (RS 923.0); Federal Law on Hunting (RS 922.0); Ordinance on the Control on the Movement of Protected Species of Fauna and Flora (RS 453.1)	Import licence (Federal Office of Food Security and Veterinary Affairs (FSVO))	Protection of certain species of wild fauna and flora *(CITES)*
Forest reproductive material	Federal Law on Forests (RS 921.0); Ordinance on the Forests (RS 921.01); and Ordinance on Forest Reproductive Material (RS 921.552.1)	Import licence (Federal Office for the Environment (FOEN))	Ensure healthy material used reforestation
Transplants	Federal Law on the Transplantation of Organs, Tissues and Cells (RS 810.21); and Ordinance on the Transplantation of Organs, Tissues and Cells of Human Origin (RS 810.211)	Authorization (Federal Office of Public Health (FOPH))	Protection of donors and recipients
Blood and blood and immunological products	Federal Act on Medicines and Medical Devices (RS 812.21); Ordinance on Authorizations in the Area of Medicines (RS 812.21.1)	Export licence (Swissmedic)	Protection of human and animal health
Narcotic drugs, psychotropic substances and precursors	Federal Act on Narcotic Drugs and Psychotropic Substances (RS 812.121)	Export licence (Swissmedic)	Compliance with quantitative restrictions set by the UN International Narcotics Control Board (INCB) *(UN conventions on narcotic drugs; psychotropic substances; and illicit traffic in narcotic drugs)*

[45] Federal Law on Customs Tariffs (RS 632.10). As specified in Article, 5, goods not listed in the export tariff are exempt from export duties.
[46] The 47 tariff lines (8-digit level) listed in Part 2 of the tariff book are exempt from export tariffs. Viewed under "general tariff" at: https://www.ezv.admin.ch/ezv/fr/home/documentation/bases-legales/perception-de-redevances/bases-juridiques-du-tarif-des-douanes.html.
[47] Alcohol Law RS 680 (Article 22, paras. 1 and *23bis*); and Alcohol Ordinance (RS 680.11, Article 60).
[48] This was notified to the WTO in WTO document G/MA/QR/N/CHE/3, 22 July 2020.

Product	Legal/regulatory basis	Type of restriction (Responsible entity)	Rationale *(relevant treaty/ convention, if applicable)*
Mercury	Federal Law on the Protection of the Environment (RS 814.01), Federal Law on the Protection against Dangerous Substances and Preparations (RS 813.1), and Ordinance on the reduction of Risks relating to the Use of Certain Particularly Dangerous Substances, Preparations and Articles (RS 814.81)	Export licence (FOEN)	Protection of human health and the environment
Rough diamonds	Federal Act on the Application of International Sanctions (RS 946.231), and Ordinance on the International Trade in Rough Diamonds (RS 946.231.11)	Exports are only allowed between participants to the process and they must be accompanied by a certificate (State Secretariat for Economic Affairs (SECO))	Prevent conflict diamonds from entering legitimate diamond trade *(UN Security Council Resolution S/RES/1459 of 2003 (Kimberley Certification Process))*
War materials	Federal Act on War Material (RS 514.51), and Ordinance on War Material (RS 514.511)	Export authorization (SECO)	Contributing to international and regional peace, security and stability as well as reducing human suffering (*Arms Trade Treaty*). Prevent illicit trafficking in arms and their components as well as prevention of destabilizing accumulations of conventional arms *(Wassenaar Arrangement).*
Weapons, weapon accessories and ammunition	Federal Act on Weapons, Weapon Accessories and Ammunition (RS 514.54), and Ordinance on Weapons, Weapon Accessories and Ammunition (RS 514.541)	Export authorization (Central Arms Office)	Prevent illicit trafficking in arms and their components as well as prevention of destabilizing accumulations of conventional arms *(Wassenaar Arrangement)*
Weapons, weapon accessories and ammunition; chemicals for civilian and military use	Federal Act on the Control of Goods Usable for Civil and Military Purposes and Specific Military Goods (RS 946.202), and Ordinance on the Control of Chemicals for Civil and Military Purposes (RS 946.202.21)	Export prohibition to states not party to the Chemical Weapons Convention. Export permit (SECO).	Non-proliferation of Weapons of Mass Destruction (UNSCR 1540) *(Chemical Weapons Convention, Australia Group)*
Dual-use items	Federal Act on the Control of Goods Usable for Civil and Military Purposes and Specific Military Goods (RS 946.202), and Ordinance on the Control of Civilian and Military Goods, Specific Military Goods and Strategic Goods (RS 946.202.1)	Export authorization (SECO) (except uranium – from the Federal Office of Energy)	Non-proliferation of Weapons of Mass Destruction (UNSCR 1540) as well as prevention of destabilizing accumulations of conventional arms and dual-use goods and technologies *(Nuclear Suppliers Group, Zangger Committee, Missile Technology Control Regime, Australia Group, and the Wassenaar Arrangement, respectively)*
Certain hazardous chemicals and pesticides	Federal Act for Protection against Dangerous Substances and Preparations (RS 813.1), and Environmental Protection Act (RS 814.01)	Export permit (FOEN)	Protection of health and the environment *(Rotterdam Convention)*
Ozone-depleting substances	Federal Act for Protection against Dangerous Substances and Preparations (RS 813.1), Environmental Protection Act (RS 814.01), and Ordinance on the Reduction of Risks associated with the Use of Particularly Dangerous Substances, Preparations and Articles (RS 814.81)	Export authorization (FOEN)	Protection of human health and the environment *(Montreal Protocol)*

Product	Legal/regulatory basis	Type of restriction (Responsible entity)	Rationale *(relevant treaty/ convention, if applicable)*
Dangerous waste	Environmental Protection Act (RS 814.01), Ordinance on the Movement of Waste (RS 814.610), and DETEC Ordinance on Lists for the Movement of Waste (RS 814.610.1)	Export authorization (FOEN)	Ensure proper waste disposal
Nuclear articles and radioactive waste	Nuclear Energy Act (RS 732.1) and Nuclear Energy Ordinance (RS 732.11)	Export licence (Federal Office of Energy)	Control within framework of the Non-Proliferation Treaty *(Treaty on the Non-Proliferation of Nuclear Weapons)*

Note: Several sanctions regimes are not included in the table, the details of which were viewed at: https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/exportkontrollen-und-sanktionen/sanktionen-embargos/sanktionsmassnahmen.html.

Source: WTO document G/MA/QR/N/CHE/3, 22 July 2020 (this notification also applies to Liechtenstein); and information provided by the authorities.

3.58. Under the Federal Law on the Implementation of International Sanctions, the Federal Council may, by means of ordinances, apply import and export prohibitions and restraints based on international law, particularly decisions by the UN Security Council, the Organization for Security and Cooperation in Europe, or Switzerland's principal trading partners.[49] There were no substantial changes to this law over the review period, and the list of economies subject to sanctions is contained on the State Secretariat for Economic Affairs (SECO) website.[50]

3.59. Concerning export embargoes, Liechtenstein implements the relevant UN Security Council Resolutions and generally aligns itself with the EU Common Foreign and Security Policy regarding export embargoes.

3.2.4 Export support and promotion

3.60. On 1 January 2019, Switzerland repealed the 1974 Federal Law on the Import and Export of Processed Agricultural Products, under which exports of processed agricultural products could be granted export subsidies (Section 4.1.4). It was replaced by the Federal Law on the Importation of Processed Agricultural Products (RS 632.111.72), which has provisions on customs duties on these products.[51]

3.61. Switzerland Global Enterprise (S-GE), a private non-profit association mandated by SECO, is responsible for supporting export-orientated SMEs in Switzerland and Liechtenstein in exporting their products and services. S-GE's services include information and consulting services; the provision of market analysis; assistance in understanding the legal, fiscal, and regulatory specifics in target markets; assistance in business partner searches; the organization of "SWISS Pavilions" at international trade fairs; the organization of business travel to meet potential business partners; the organization of export workshops; and support in target markets through Swiss Business Hubs and Trade Points.[52] Over the review period, S-GE formed a variety of partnerships with, for example, industry associations, chambers of commerce, universities, private trade promotion organizations, and start-up funding organizations. New services developed have included an online "market finder" platform in partnership with Google Switzerland, which provides digital tools and practical information for the export sector.[53] It also launched an analysis platform called GoGlobal Cockpit, which provides Swiss and Liechtenstein SMEs with customized analysis for their products in foreign markets including applicable customs tariffs and practical checklists.[54] In response to the COVID-19

[49] Federal Law on the Implementation of International Sanctions (RS 946.231).
[50] SECO. Viewed at: https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/exportkontrollen-und-sanktionen/sanktionen-embargos/sanktionsmassnahmen.html.
[51] RS 632.111.72.
[52] S-GE, *Our Services at a Glance*.
[53] S-GE (2019), "Switzerland Global Enterprise and Impact Hub Switzerland Announce Partnership", 14 October; and S-GE (2018), "Google Switzerland and S-GE Launch 'Market Finder'", 21 November.
[54] S-GE, *Digital Export Platform: GoGlobal Cockpit*.

pandemic, S-GE expanded its digital offering, for example, through virtual trade fair participation or business missions. S-GE is represented in 31 target markets and regions through 23 Swiss Business Hubs and four Trade Points (the latter are smaller offices), which are integrated into Swiss diplomatic missions abroad.[55]

3.62. S-GE's budget comprises mainly funding from Switzerland. The Liechtenstein Government has paid an annual financial contribution of CHF 100,000 excluding VAT since 2017. Fees levied for its services and other revenues such as sponsorship income further contribute to S-GE's budget. Between 2017 and 2019, S-GE's export promotion budget averaged approximately CHF 28.5 million per year. Funding contributions by the Swiss Confederation accounted for about 70% of the annual budget, fees levied for its services for about 27%, and other revenues for about 3%. In 2020, the first year of the pandemic, S-GE's budget amounted to about CHF 28.2 million. Funding contributions by the Swiss Confederation accounted for about 83% of the budget due to an additional crisis-related funding. Fees levied for services declined at the same time and accounted for about 14%. During the COVID-19 pandemic, S-GE provided extended assistance to SMEs experiencing urgent challenges such as difficulties in delivery of goods. S-GE further used the additional funding of the Swiss Confederation in particular to expand its digital services to include virtual trade fair participations, business missions, events, client meetings, and webinars.

3.63. Neither Switzerland nor Liechtenstein has export processing zones. Goods may be temporarily imported duty-free or with a duty drawback right for inward processing, and in certain cases VAT may be exempt upon importation.[56]

3.2.5 Export finance, insurance, and guarantees

3.64. In addition to private-sector export finance, insurance, and guarantees, Swiss Export Risk Insurance (SERV), which is owned by the Swiss Confederation, provides protection against non-payment, facilitates the financing of exports, and helps companies maintain their liquidity. It does not provide direct lending or policy cover for investments. SERV operates under the Federal Law of 16 December 2005 on Swiss Export Risk Insurance (RS 946.10) and the Ordinance of 25 October 2006 on Swiss Export Risk Insurance (RS 946.101).[57] As indicated in the previous Review, these provide that:

- SERV should supplement and not replace insurance provided by the private sector by providing cover for risks that the private sector will not cover or for which there is an inadequate supply of insurance;
- SERV should be economically viable and not incur any long-term costs for the Swiss Confederation; and
- SERV should comply with foreign policy objectives concerning, *inter alia*, the environment, development, human rights, and democracy.

3.65. Under normal circumstances, to qualify for export insurance from SERV, the exporter must have a registered office in Switzerland and be listed in the Commercial Register, and the buyer must be domiciled outside Switzerland. Furthermore, the goods or services being exported must be of Swiss origin or, in most cases, have a total foreign content of no more than 50%. However, there are exceptions stated in the Ordinance (Article 3) for which lower Swiss content is allowed, for example, if the Swiss content is an essential part of the product or service, a newly developed product is exported, or a new market entered.

3.66. In April 2020, in response to the COVID-19 pandemic, SERV temporarily simplified its internal processes for applications for export transactions until the end of the Q1 2021. It also accepted applications for export transactions with a maximum risk duration of up to 24 months to EU member States, Australia, Iceland, Japan, Canada, New Zealand, Norway, and the United States, which were

[55] S-GE, *Network*.
[56] FOCBS, *Processing Traffic*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/information-companies/exemptions--reliefs--preferential-tariffs-and-export-contributio/importation-into-switzerland/processing-traffic.html.
[57] RS 946.10 and RS 946.101.

declared temporarily "non-marketable" for private-sector providers.[58] As indicated by the authorities, for these "non-marketable" risks, an insurance offer from SERV with premiums in line with the market is possible on an exceptional basis if the policyholder can submit two refusals from private export credit insurers.[59]

3.67. Further support measures were introduced on 1 September 2020 through a temporary amendment to the SERV Ordinance with a view to helping Swiss exporters deal quickly and easily with their insurance products.[60] Previously SERV could only increase coverage rates for counter guarantees and working capital insurance upon justified request.[61] This justified request requirement was removed, and the following applies: a maximum coverage rate of the working capital insurance of 95% and a maximum coverage of the counter guarantee of 100%. Previously the normal coverage rate was 80% for working capital insurance and 90% for counter guarantee insurance. Additionally, the above-mentioned threshold of 50% of Swiss value-added of the total order value has been liberalized to 20% and export transactions with a Swiss value-added of less than 20% can still be insured if it is proven that the insurance complies with the objectives and principles of SERV's business policy. These measures will be terminated on 31 December 2022.[62]

3.68. Insurance products available from SERV are set out in Table 3.13. SERV continues to offer multi-buyer insurance, which allows an association to combine and insure the exports of several of its Swiss members to various foreign buyers; according to the authorities, this option is currently being used by members of the Association of Science Industries.

Table 3.13 Export finance, insurance, and guarantee products available from SERV, 2021

Products	Cover ratio	Risks covered
Exporters		
Supplier credit insurance	95%	Political, transfer, *force majeure*, commercial
Pre-shipment risk insurance	95%	Political, commercial
Contract bond insurance	95%	Political, *force majeure*
Counter guarantee	100%	Non-payment of the institution granting the contract bond
Confiscation risk insurance	95%	Political, *force majeure*
Global insurance for members of the science industries	95%	Political, transfer, *force majeure*, commercial
Financial institutions		
Working capital insurance	95%	Non-payment by exporter to financial institution
Buyer credit insurance	95%	Political, transfer, *force majeure*, commercial
Letter of credit confirmation insurance	95%	Political, transfer, *force majeure*, commercial
Refinancing guarantee	100%	Non-payment of the institution granting the export credit

Source: SERV, *Products for Exporters*. Viewed at: https://www.serv-ch.com/en/products/products-for-exporters/; and *Products for Financial Institutions*. Viewed at: https://www.serv-ch.com/en/products/productfinancing/.

3.69. SERV's net exposure has continued to increase steadily year-on-year from CHF 8,258 million at end-2017 to CHF 8,971 million at end-2020. Until 2020, SERV made an operating profit in all years except 2011 (a loss of CHF 55 million) and 2020 (a loss of CHF 81.5 million).[63] New figures are published on a yearly basis, usually in April.

[58] SERV (2020), "Measures Due to the COVID-19 Pandemic", 17 April. Viewed at: https://www.serv-ch.com/organisation/news/detail/article/massnahmen-aufgrund-der-covid-19-pandemie.

[59] SERV (2021), *Subsidiarity*, version 7.5, 2 December.

[60] RO 2020 3599.

[61] A counter guarantee protects the bond-issuing bank against the risk that the exporter will be unable or unwilling to pay if the contract bond is called. Working capital insurance covers a working capital loan for a Swiss company's export that has been insured by SERV. It protects the financial institution providing credit against insolvency or unwillingness to pay on the part of the exporter. SERV, *Glossary*. Viewed at: https://www.serv-ch.com/en/glossary/.

[62] SERV. Viewed at: https://www.serv-ch.com/organisation/thema/detail/article/massnahmen-zur-unterstuetzung-der-schweizer-exportwirtschaft/.

[63] SERV, *Annual Reports* (2018-20).

3.70. In Liechtenstein, all export finance, insurance, and guarantee facilities are only provided by the private sector. Companies based in Liechtenstein do not have access to SERV's products.

3.3 Measures Affecting Production and Trade

3.3.1 Taxation and incentives

3.3.1.1 Corporate income tax

3.71. In Switzerland, corporate income tax is levied at the federal, cantonal, and communal levels.[64] Since the last Review, the federal tax has remained unchanged, at a flat rate of 8.5% on profits after tax. In contrast, noticeable changes occurred at the cantonal level with corporate income taxes having dropped in all but three cantons since 2017. In 2017, total corporate income tax (federal + cantonal + communal) on pre-tax profit ranged from 12.32% in Lucerne to 24.16% in Geneva.[65] In 2021, the lowest rate of 11.85% applied in Zug, and the highest in Bern at 21.04%. The cantons' average of 14.87% is among the lowest in Europe and is very competitive in international comparisons.[66]

3.72. The Federal Act of 17 January 2018 on Tax Reform and AHV Financing (TRAF) (FF 2018 6077) entered into force on 1 January 2020[67], after being approved by referendum in 2019 (Table 2.1). Under the new law, previous tax privileges for companies operating mostly abroad (different treatment of domestic and foreign revenue) were abolished and all companies will abide by the same taxation rule applied in their respective canton. The reform, meant to ensure that the Swiss tax system complies with international standards, was proposed to the popular vote after the rejection in February 2017 of a previous version (Corporate Tax Reform III[68]). Thanks to the removal of preferential tax regimes no longer accepted internationally, and the introduction of a new set of internationally accepted rules, the European Union withdrew Switzerland from its taxation grey list.[69] The TRAF also includes a special tax deduction for companies called the patent box, whereby a maximum of 90% of profits from patents and comparable rights can be excluded from taxation. Some cantons chose to set much lower deduction rates (10% in Geneva). Further tax reductions for expenditure on research and development can be granted by the cantons, but these special arrangements can only be applied to the extent that at least 30% of a company's profits are taxed.[70]

3.73. The recent dynamic of more intense competition between cantons to attract more corporations through lower taxes and new incentives will likely be hindered by the future implementation of the international corporate tax agreement.[71] In July 2021, a representative from the Swiss Government noted that the reform was not advantageous for the country, but that Switzerland could not prevent it from occurring.[72] The OECD framework[73], agreed on in 2021, plans a minimum taxation rate of 15% for multinational enterprises whose annual revenues exceed EUR 750 million (approximately CHF 780 million). As the OECD also defines the tax base, all cantons could be affected by this change. The date of 1 January 2024 has been proposed by the Federal

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[64] Cantons retain the right to allow their communes to levy taxes. Federal Department of Finance, *Swiss Tax System*. Viewed at: https://www.efd.admin.ch/efd/en/home/steuern/steuern-national/the-swiss-tax-system.html.

[65] KPMG (2018), *Clarity on Swiss Taxes*, p. 7.

[66] Data for 2021. KPMG (2018), *Clarity on Swiss Taxes*, pp. 8, 14-15.

[67] AHV is the old-age insurance system.

[68] This previous version did not include social compensation measures for the financing of the AHV as did the TRAF.

[69] Mission of Switzerland to the European Union, *Tax Policy – In Line with International Standards*. Viewed at: https://www.eda.admin.ch/missions/mission-eu-brussels/en/home/key-issues/tax-policy.html; and European Commission, *Evolution of EU List of Tax Havens*. Viewed at: https://ec.europa.eu/taxation_customs/system/files/2021-02/eu_list_update_22_02_2021_en.pdf.

[70] Federal Department of Finance, *Swiss Tax System*. Viewed at: https://www.efd.admin.ch/efd/en/home/steuern/steuern-national/the-swiss-tax-system.html.

[71] Blick (2021), "Ueli Maurer Affirms It: Switzerland Must Raise Its Taxes", 17 October.

[72] RTS (2021), "Interview of Ueli Maurer: We Cannot Prevent Taxation Reform of Multinationals", 11 July.

[73] OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*, 1 July.

Council for implementation in Switzerland.[74] In this context, potential measures proposed by the Government to maintain the attractiveness of the country for companies are a reform of the withholding tax, and the introduction of a tonnage tax.[75] Under the Economic Transition Strategy COVID-19 established by the Federal Council in June 2021, the third phase on "revitalization" also details measures to strengthen the attractiveness of Switzerland as a business location.[76]

3.74. Liechtenstein applies a flat rate of 12.5% for all legal persons.[77] Since 1 January 2017, a minimum corporate income tax of CHF 1,800 applies if total assets of an operating entity exceeded CHF 500,000 during the last three years.[78] Public undertakings not engaged in economic activities, occupational pension schemes, and legal persons and special endowments of assets without legal personality that irrevocably and exclusively pursue charitable purposes of a non-profit making basis are tax exempt (Tax Act, Article 4). Changes to the Tax Act were introduced in 2018 to comply with EU regulations, based on the criteria of the EU Code of Conduct Group (Business Taxation). They concerned the introduction of anti-avoidance rules regarding dividends and capital gains, the abolition of the deductibility of capital losses and depreciations from shareholdings.[79] Subsequent to these changes, the European Union announced in October 2018 that Liechtenstein had completed the necessary reforms to comply with the EU good principles for taxation and that it was removed from the EU grey list.[80] Since then, no change regarding corporate income tax has been introduced. After joining the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting in 2016, Liechtenstein abolished the intellectual property (IP) box regime with a grandfathering period that ended on 31 December 2020 (Section 3.3.7.2). The authorities indicate that the end of the IP box regime had only a limited impact on businesses. The 2017-19 annual peer reviews of the Forum on Harmful Tax Practices did not make any further recommendation for Liechtenstein. According to the authorities, the impact of the future implementation of the OECD taxation framework will not be insignificant, but should remain limited thanks to a proactive implementation to ensure certainty and stability for companies.

3.75. Table 3.14 presents Liechtenstein's corporate and other selected taxes, which have remained unchanged since the last Review, with the exception of taxes on private asset structures, which were increased from CHF 1,200 annually to CHF 1,800 in 2017.

Table 3.14 Liechtenstein corporate taxes and other selected taxes

Tax base	Standard tax rates
Corporate income tax (annual): annual net income	12.5% (minimum CHF 1,800)
Real-estate capital gains tax (per sale of real estate located in Liechtenstein)	Maximum 24%
Private asset structures[a]	CHF 1,800 per annum
Formation tax: formation of share capital (applicable only when the Swiss provisions on stamp duties do not apply)	Capital > CHF 1,000,000: 1% Capital > CHF 5,000,000: 0.5% Capital > CHF 10,000,000: 0.3%

a Asset management and asset protection structures (PVS in German).

Source: Information provided by the authorities.

3.3.1.2 Indirect taxes

3.76. Several indirect taxes are levied in Switzerland and Liechtenstein. Most tax revenues derive from the VAT, which applies uniformly in the common area formed by the two countries[81], and

[74] Federal Council (2022), "Implementation of OECD Minimum Tax Rate by Constitutional Amendment", 13 January. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-86783.html.

[75] Potential measures also included the abolition of the stamp duty, which was refused by the Swiss people in February 2022. The authorities indicate that some of these measures were already considered prior to the OECD taxation framework and are not a direct consequence, although their relevance will be even stronger once the framework is implemented.

[76] Information provided by the authorities.

[77] Tax Act of 23 September 2010 (LR 640.0), Articles 44 and 61.

[78] PwC, *Liechtenstein: Corporate – Taxes on Corporate Income*.

[79] Liechtenstein Legal Gazette No. 147/2018.

[80] European Commission, *Evolution of EU List of Tax Havens*.

[81] The valleys of Samnaun and Sampuoir are not part of the customs territory of Switzerland, and the

represents 30% of Switzerland's revenues[82], and 23% of Liechtenstein's central government revenues.[83] Switzerland and Liechtenstein apply similar excise taxes on products causing a risk to human health or to the environment, which are collected at the border by the Swiss authorities.[84] Since the last Review in 2017, there have been a few changes notably related to taxes levied for environmental reasons.

3.77. The different indirect taxes collected on importation by the FCA (now the FOCBS) totalled CHF 21.8 billion in 2020 (net of tax refunds). About half comes from the VAT. Among excise taxes collected on importation, the petroleum tax and the tobacco tax yielded the most revenues.[85]

3.3.1.2.1 VAT

3.78. The VAT, introduced in 1995, is levied on the supply of goods and services on the Swiss territory, as well as on imported goods and services.[86] Domestic companies are liable to pay the tax as soon as their revenues (domestically and abroad combined) from supplies that are not exempted from the tax without credit exceed CHF 100,000 annually.[87] The tax liability of foreign companies also requires the provision of services or supplies on the Swiss territory. The Switzerland and Liechtenstein VAT rate is lower than in any EU country[88], with a standard rate of 7.7%. Lower rates are applied to accommodation services (3.7%, special rate) and the supply of necessity goods (2.5%, reduced rate).[89] The standard and special rates were reduced on 1 January 2018 from 8% and 3.8%, respectively. The adjustment of the standard tax rate resulted from the removal in 2017 of the additional levy used to fund the disability insurance (-0.4 percentage points) and the introduction of a temporary funding of railway infrastructure through VAT running for the period 2018-30 (+0.1 percentage point).[90]

3.79. In January 2019, a further revision of the VAT system entered into force concerning mail order companies. If a mail order company generates a turnover of at least CHF 100,000 from supplies of goods imported into the Swiss territory that are exempted from import tax due to the insignificant tax amount (less than CHF 5, so-called small consignments), its deliveries will be treated as domestic supplies and the mail order company becomes liable to pay the domestic VAT on all consignments imported into the Swiss territory.[91] Therefore, foreign mail order companies have to pay the VAT on their supplies regardless of the selling price, as do Swiss companies, and there is no longer a VAT-induced competitive disadvantage for Swiss companies.[92] Reportedly, this measure had a limited effect, as only a few foreign mail order companies put themselves forward for registration. Thus, on 24 September 2021, the Federal Council proposed a new change to the system that will make online platforms liable to pay the tax on all sales of goods they facilitate. Thus, the platform (deemed supplier) on which the sale has been concluded, and not the seller of the goods (underlying seller), has to impose the VAT.[93] Foreign companies not using a platform, and which meet the CHF 100,000 threshold, will still remain liable to pay the VAT.[94]

VAT Law is therefore only applied to services. However, the communes of Samnaun and Valsot must compensate the federal government for the loss of revenue from VAT not being applied to goods. See: Law on the Value-Added Tax, Article 4.

[82] Federal Department of Finance, *Budget 2022*. Viewed at: https://bit.ly/3pZaJyi.

[83] Calculation based on Liechtenstein Office of Statistics for 2020. Viewed at: http://etab.llv.li/PXWeb/pxweb/en/eTab/eTab__10%20Public%20finance/?rxid=3dd8519a-208a-4005-82aa-bb7645379e75.

[84] Information provided by the authorities.

[85] Information provided by the authorities.

[86] Electronically supplied services, such as the electronic provision of websites, software, or music or films, are included among those subjected to the VAT (VAT Ordinance, Article 10).

[87] The turnover threshold for non-profit sport or cultural associations and charitable institutions is CHF 150,000 from supplies of goods and services, which are not exempt from tax without credit.

[88] S-GE, *Fiscalité des entreprises*, p. 2. Only Andorra has a lower rate in Europe.

[89] Among them are tap water, food, medication, books and e-books, fertilizers (see complete list in Article 25 of the Federal Law of 12 June 2009 on the Value Added Tax (RS 641.20)). In its dispatch of 24 September 2021, the Federal Council proposes to include menstrual hygienic products.

[90] Information provided by the authorities.

[91] Information provided by the authorities.

[92] Federal Tax Administration, *Mail-Order Trade*. Viewed at: https://www.estv.admin.ch/estv/en/home/value-added-tax/vat-tax-liability/mail-order-trade.html.

[93] Federal Council, *Message concernant la modification de la loi sur la TVA,* 24 September 2021.

[94] Information provided by the authorities.

3.80. Sectors exempted from the tax without credit include, *inter alia*, healthcare, education and training, culture, and some operations in the capital and insurance markets, as well as direct sale of agricultural products from farmers (Article 21 of the Ordinance on Value Added Tax). Exemptions from the VAT on imports apply, such as on goods imported for temporary admission, some artistic works, or energy transported through electric and gas networks (full list in Article 53). Imports of gold coins and fine gold, work on gold, and gold for investment purposes are exempt from the tax with credit.[95] The direct export of goods is also exempt from the VAT with credit.[96]

3.81. Since January 2021, all Swiss VAT returns should be submitted electronically using the ESTV SuisseTax or the VAT Return Easy online platforms (Section 2.4.1). Upon request, declaration by paper form is still possible; the obligation for online submission is expected to be introduced in 2023.[97] In Liechtenstein, VAT returns can be filed electronically via the e-MWST platform.[98]

3.3.1.2.2 Excises

3.82. Imported and domestically produced motor vehicles are subject to a tax of 4% of the vehicle's value in both Switzerland and Liechtenstein.[99] The tax applies to commercial vehicles of HS Codes 8702 and 8704 with a unit weight not exceeding 1,600 kg used for the transport of people and merchandise, and on all passenger vehicles (HS Code 8703). Article 12 of the Federal Law of 21 June 1996 on Motor Vehicles Taxation (RS 641.51) provides that tax exemptions can be granted to vehicles that are duty-exempted under specific circumstances, heavy vehicles, or electric vehicles. The 4% tax does not apply to heavy vehicles that are taxed according to the Federal Law of 19 December 1997 on Heavy Vehicles Charge (RS 641.81). Importers of motor vehicles that are registered for the first time must provide data on the vehicles' CO_2 emissions to the authorities. If emissions are above the target limit for the vehicle's kind, importers must pay a fee of CHF 104 per additional gramme of CO_2/km.[100]

3.83. Additional motor vehicle taxes can be levied by the cantons under their own rating scales, to incentivize the purchase of eco-friendly vehicles and introduce higher rates for the most polluting ones.[101] While not all cantons apply additional taxes or incentives, some offer large incentives for eco-friendly vehicles, which can lead to a substantive change in the taxation of motor vehicles.[102]

3.84. Switzerland and Liechtenstein apply a petroleum tax on crude oil, other mineral oils, natural gas, their processed products, and a surtax on engine fuels. These excise taxes are levied on both imported and domestically produced goods. Tax rates vary depending on the products and their end use.[103] Engine fuels used in agriculture, forestry, professional fishing, and licensed transport companies benefit from tax reductions.[104] Aircraft may be exempt from the tax.[105] Receipts of the petroleum tax are shared between the Federal Treasury, road transport and aviation infrastructures, and agglomeration funds. In 2020, the tax generated 5.9% of all federal receipts.[106]

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[95] Ordinance of 27 November 2009 on Value Added Tax (RS 641.201), Articles 44 and 113.
[96] FOCBS, *Exportation from Switzerland*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/information-companies/taxes-and-duties/exportation-from-switzerland.html.
[97] Information provided by the authorities.
[98] Access to the online portal can be found at: https://mwst.llv.li/.
[99] FOCBS, *Automobile Tax*. Viewed at: https://www.bazg.admin.ch/bazg/en/home/information-companies/taxes-and-duties/importation-into-switzerland/automobile-tax.html.
[100] Modification of the ordinance on the reduction of CO_2 emissions of 24 November 2021 (RO 2021 859).
[101] Touring Club Suisse, *Impôt sur les véhicules en Suisse*. Viewed at: https://www.tcs.ch/fr/tests-conseils/conseils/environnement-mobilite/taxe-automobile-cantons.php.
[102] Information provided by the authorities.
[103] Taxation rates as of 1 January 2022 are available at: https://www.ezv.admin.ch/ezv/fr/home/infos-pour-entreprises/impots-et-redevances/importation-en-suisse/taxe-sur-le-co__.html.
[104] Law of 21 June 1996 on the Taxation of Mineral Oils (RS 641.61), Article 18.
[105] Law of 21 June 1996 on the Taxation of Mineral Oils (RS 641.61), Article 17.
[106] FOCBS, *Impôt sur les huiles minérales*. Viewed at: https://www.ezv.admin.ch/ezv/fr/home/infos-pour-entreprises/impots-et-redevances/importation-en-suisse/impot-sur-les-huiles-minerales.html.

3.85. Biofuels, such as bioethanol or vegetable oils, can benefit from full tax relief if they meet environmental and social requirements.[107] Biofuels must be traceable, and proof provided that their production was made on legally obtained land, respecting social norms, without altering the land, and that their production must be overall less harmful to the environment than mineral fuels.[108] As per the customs union, these provisions also apply in Liechtenstein.[109] To compensate tax losses due to tax reliefs on biofuels and to encourage the transition to "greener" fuels,[110] the Federal Council decided in July 2020 to raise taxes on oil and diesel fuels, while maintaining a low tax burden on biofuels until the end of 2023.[111] In 2020, biofuels represented 3.7% of total Swiss fuel consumption, unchanged from 2019.[112]

3.86. The CO_2 levy, which entered into force on 1 January 2008, is designed to reduce the use of fossil fuels and thus the associated CO_2 emissions. The tax rate was originally set at CHF 12 per tonne of CO_2, gradually rising to CHF 60 per tonne in 2014, CHF 84 in 2016, CHF 96 in 2018, and reaching the maximum levy established in the legislation of CHF 120 in 2022.[113] The rise decided in 2021 follows the acknowledgement that CO_2 emissions linked to the use of fuels have only dropped by 31% since 1990, below the initial minimum target of 33%. Around two thirds of the revenue from the CO_2 levy is redistributed to the population and the economy.[114] With one third of the revenue (max. CHF 450 million), the Confederation and the cantons support energy-efficient renovations and renewable heating energy through the buildings programme. Another CHF 25 million is allocated to the technology fund for the promotion of innovative companies. As a result of the rejection of the proposed reform of the Federal Act of 23 December 2011 on the Reduction of Greenhouse Gas Emissions (RS 641.71) (CO_2 Law), the tax cannot currently be raised beyond CHF 120. Following a partial revision of the CO_2 Law based on Parliamentary Initiative 21.477 ("Extensions of the reduction targets in the current CO_2 Law"), Swiss installation operators in certain sectors with a reduction commitment will remain exempt from the CO_2 levy. Under the new proposal for a revised CO_2 law put under consultation by the Federal Council in December 2021 for the period 2025-2030, all installation operators will be exempt from the tax if they commit to reduce their emissions from fuels and demonstrate how they intend to decrease these emissions down to zero in the long term.[115] Operators of installations participating in the Swiss Emissions Trading Scheme (ETS) can also continue to apply for a tax exemption. The ETS is regulated for an unlimited period of time and was not affected by the rejection of the revised CO_2 Act in 2021 (further information about the rejected revision of the CO_2 Law and its consequences can be found in Section 4.2.2.1.3).

3.87. In 2021, the Swiss people rejected the proposed reform of the Federal Act of 23 December 2011 on the Reduction of Greenhouse Gas Emissions (RS 641.71) (CO_2 Act). Because of the "no" vote, the tax cannot currently be raised beyond CHF 120. Following a partial revision of the CO_2 Act based on Parliamentary Initiative 21.477 ("Extensions of the reduction targets in the current CO_2 Act"), the obligation for fuel importers to compensate part of their CO_2 emissions by investing in projects for climate protection will be maintained, as well as the objective of a 50% reduction of greenhouse gas (GHG) from 1990 levels by 2030.[116] The initiative was agreed upon by both chambers of the Federal Assembly in December 2021 in order to provide for a legal basis to

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[107] FOCBS, *Biofuels*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/information-companies/taxes-and-duties/importation-into-switzerland/petroleum-tax/biofuels.html.

[108] Law of 21 June 1996 on the Taxation of Mineral Oils (RS 641.61), Article 12b-12c.

[109] Office of Environment (2019), *Liechtenstein's Greenhouse Gas Inventory 1990-2017*, p. 309.

[110] Federal Council (2020), "Le Conseil fédéral augmente les taux d'impôt de l'essence et de l'huile diesel de 3,7 centimes par litre", 1 July. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-79684.html.

[111] Ordinance of 20 November 1996 on the Taxation of Mineral Oils (RS 641.611).

[112] Federal Council (2021), "Faible baisse des émissions de CO2 dues aux combustibles : hausse automatique de la taxe en 2022", 7 July. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-84335.html.

[113] Federal Council (2021), "Faible baisse des émissions de CO2 dues aux combustibles : hausse automatique de la taxe en 2022", 7 July.

[114] Further information on the redistribution of the tax to the economy can be found in French on the FOEN website at: https://bit.ly/3r6X4ph.

[115] Federal Council (2021), "Politique climatique : le Conseil fédéral met la loi révisée sur le CO_2 en consultation", December. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-86492.html.

[116] As previously mentioned, the Federal Council has proposed for consultation a modification of the revised CO_2 Law for the period 2025-30, which was still under consultation at the time of writing and maintains, *inter alia*, these two objectives.

pursue the objectives of reductions of the Government and entered into force in 2022 for the period from 1 January 2022 to end-2024 (further information about the rejected revision of the CO_2 Act and its consequences can be found in Section 4.2.2.1.3).

3.88. In Liechtenstein, CO_2 levy revenues collected from households are not redistributed in the same manner as they are in Switzerland, but are used as state income for the general state budget. Among revenues collected from the industries, one third is used for environmental policy measures such as for public transportation, and two thirds are redistributed to the companies in proportion to the payroll of their employees. The rejected reform of the CO_2 Law by the Swiss people ended the planned revision of the corresponding Liechtenstein CO_2 Law. Even though Swiss environmental taxes and levies are not immediately applicable in Liechtenstein, they are nonetheless synchronized as per the customs union.[117] Liechtenstein thus applies its own legislation on environmental taxes and levies; however, rules and levels of taxation are identical to those applied by Switzerland. The authorities indicate that Liechtenstein's target of a 40% reduction in GHG emissions from 1990 by 2030, as per the Paris Agreement, remains in place. The Liechtenstein authorities indicate that the corresponding legal basis in Liechtenstein's law of Swiss Parliamentary Initiative 21.477 should be published in April 2022.

3.89. An incentive tax on volatile organic compounds (VOCs) was introduced in 2000 to protect the environment by encouraging a diminution of VOC emissions. The tax is levied by Switzerland and Liechtenstein on both imports and domestic production. Since 2003, the tax rate has been set at CHF 3 per VOC kilogram. The tax is refunded upon exportation. Not all VOC products are subject to the tax: a positive list of substances and a positive list of products detail the products to which the tax applies.[118] Substances and products containing less than 3% of VOC are exempted. Companies may be exempted from the tax provided that their stationary installation emits at least 50% less VOCs than the limit allowed for similar installations, the off-gas purification installation is available more than 95% of the time, and emissions are reduced using the best available technology.[119] During the COVID-19 pandemic, the Swiss authorities waived the tax on surface disinfectant until the end of 2021.[120] The authorities estimate that since the inception of the VOC levy, emissions have declined by more than 40%, and currently represent almost 80,000 tonnes annually.[121] A study on VOC emissions from 1995 to 2019 highlighted that the reduction is mainly attributable to the industry sector subject to the tax and to transport not subject to the tax.[122] As for the CO_2 tax, the proceeds from the tax are redistributed to the population through the health insurance companies (CHF 114 million in 2021[123]).

3.90. The tobacco tax is levied in Switzerland and Liechtenstein on imported and domestically produced cigarettes, cigars, and other tobacco products. In 2020, revenues from the tobacco tax amounted to CHF 2.1 billion.[124] For cigarettes, the compound rate amounts to CHF 118.32 per 1,000 cigarettes plus 25% *ad valorem* of the retail selling price.[125] According to 2019 data, the tobacco tax represented 52.5% of the price of the most commonly bought cigarette packets. Revenues are used to fund the AVS/AI[126], and in addition, 0.3% of the price goes to the Tobacco Control Fund and 0.3% to the Domestic Tobacco Financing Fund.[127] Noting the already high price of cigarettes in Switzerland compared to in neighbouring countries, the Federal Council decided in 2016 not to raise the tax further.[128] In November 2020, the Federal Assembly tasked the Federal Council with preparing the

[117] For more information on environmental levies, see treaties LGBI 2010 Nr. 12 and LGBI 2010 Nr. 13.

[118] Available in Annex 1 and Annex 2 to the Ordinance of 12 November 1997 on the Incentive Tax on Volatile Organic Compounds (RS 814.018).

[119] Information provided by the authorities.

[120] FOCBS, *Incentive Fee on Volatile Organic Compounds (VOC).* Viewed at: https://www.ezv.admin.ch/ezv/en/home/information-companies/taxes-and-duties/importation-into-switzerland/incentive-fee-on-volatile-organic-compounds--voc-.html.

[121] FOEN, *VOC Incentive Tax*. Viewed at: https://www.bafu.admin.ch/bafu/fr/home/themes/air/info-specialistes/mesures-de-protection-de-l-air/taxe-d_incitation-sur-les-cov.html.

[122] FOEN, *Aperçu des émissions de COV 2019.*

[123] Information provided by the authorities.

[124] Information provided by the authorities.

[125] Federal Customs Administration, *Tableau de calcul pour les cigarettes*. Viewed at: https://bit.ly/3pqL5SK.

[126] Old-age, survivors, and disability federal insurance and invalidity insurance.

[127] Federal Office of Public Health, *Les prix élevés font baisser la consommation*. Viewed at: https://bit.ly/3pt6zhO.

[128] Fedlex, *Message relatif à la modification de la loi sur l'imposition du tabac*.

future legislation for the taxation of e-cigarettes.[129] A revised tobacco law, if not revoked, should enter into force in 2023.[130]

3.91. According to Article 17 of the Ordinance of 15 September 2017 on Alcohol (RS 680.11), taxation depends on the alcohol component of beverages. Table 3.15 details the different applicable taxation rates in Switzerland and Liechtenstein, which have remained unchanged since the last Review and apply to domestic and imported goods.[131] Foodstuffs containing alcohol are taxed at the rate applicable to the alcoholic degree therein.[132] Beverages whose alcohol component is inferior to 1.2% are tax exempt. Products with alcohol obtained through fermentation such as wines, ciders, fruit wines with a degree of alcohol inferior to 15%, or natural wine made of fresh grapes with 18% maximum of alcohol, provided that they are not added to distilled beverages, as well as bioethanol used as fuel, are tax exempt. The tax levy can be refunded upon exportation.[133] Beers are subject to their own regulation and taxation under Federal Law of 6 October 2006 on Beer Taxation (RS 441.411). Small producers can benefit from a reduction of the tax rate.[134] Ten per cent of the revenues are directed to the cantons, which use them for activities combating the roots and consequences of alcoholism, while the rest is directed to the AVS.

Table 3.15 Taxation of alcoholic beverages

Product	Unit	Tax rate (CHF)	Legal basis	Responsible agency
Distilled spirits	LPA	29.00	RS 680	Federal Office for Customs and Border Security (FOCBS)
Sweet wine and vermouth[a]	LPA	14.50	RS 680	FOCBS
Alcopops[b]	LPA	116.00	RS 680	FOCBS
Ethanol for consumption	LPA	29.00	RS 680	FOCBS
Ethanol for industrial purposes	n.a.	0	RS 680	FOCBS
Light beer (up to 10.0° Plato)	hl	16.88	RS 641.411, RS 817.0	FOCBS
Normal and special beer (10.1° Plato to 14.0° Plato)	hl	25.32	RS 641.411, RS 817.0	FOCBS
Strong beer (over 14° Plato)	hl	33.76	RS 641.411, RS 817.0	FOCBS
Natural wine up to 18% alcohol by volume	n.a.	0	RS 817.0	Federal Food Safety and Veterinary Office

Note: LPA refers to litre of pure alcohol, and hl refers to hectolitre.

a Including wines made from fruit, berries, and other raw materials (15% to 22% alcoholic strength by volume; ex HS 2206); sweet wines, specialities, and mistelles (alcoholic strength by volume not exceeding 22% vol.; ex HS 2204.2150 and 2204.2950); and vermouths and other wines of fresh grapes (alcoholic strength by volume not exceeding 22% vol.; HS 2205). Sweet wines with a minimum sugar content of 45 g/l and 15% to 18% alcoholic strength by volume are not subject to monopoly duties.

b Sweetened alcoholic beverages consisting of a mixture of spirits and lemonades, fruit juices, or other alcoholic or non-alcoholic beverages. Alcopops, because of the risk of consumption for the youth, is taxed at the high rate of CHF 116.

Source: FOCBS, *Taxation of Alcoholic Beverages*.

3.3.1.3 Incentives and other assistance

3.3.1.3.1 Switzerland

3.92. Federal Law of 5 October 1990 on Financial Aid and Compensation (RS 616.1) establishes a framework for the granting of subsidies at the federal level. Subsidies can be granted when: (i) the

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[129] Federal Assembly, *Imposition des cigarettes électroniques*, 13 August 2019. Viewed at: https://www.parlament.ch/fr/ratsbetrieb/suche-curia-vista/geschaeft?AffairId=20193958.

[130] RTS (2021), "La vente de cigarettes à des mineurs sera interdite dans toute la Suisse", 22 September.

[131] FOCBS, *Taxation of Alcoholic Beverages*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/topics/alcohol/steuersaetze.html.

[132] Federal Law of 21 June 1932 on Alcohol (RS 680), Article 29.

[133] FOCBS, *Exportation*. Viewed at: https://www.ezv.admin.ch/ezv/en/home/topics/alcohol/spirituosen_export.html.

[134] Ordinance on Alcohol, Article 24, and Federal Law of 6 October 2006 on Beer Taxation (RS 441.411), Article 14.

targeted activities are in the interest of the Confederation; (ii) they cannot be accomplished by the cantons alone without the support of the Confederation; (iii) there is no other funding source available; and (iv) no other measure is more opportune.[135] The dedicated amount must be proportionate to the interest of the beneficiaries and to the interest of the Confederation.[136] The cantons can add a complementary support.[137] Subsidies can only be granted upon demand.[138]

3.93. Article 5 of the Law requires the Federal Council to review periodically, i.e. at least every six years, subsidies accorded by the Federal Government with a focus on the efficiency and effectiveness of individual programmes. Since 2014, each year, one or two of the seven federal departments review their subsidies. The procedure leads to a six-year cycle, during which all subsidies granted by the Federal Government are examined. The Federal Council presents the results of each year's review in its financial statements. The review is divided into three components: summary of the main characteristics, critical evaluation, and potential measures to be implemented. A control of the implementation of proposed measures takes place every three years.[139]

3.94. In 2020, the Confederation granted CHF 57 billion in subsidies (not including tax exemptions), representing 65% of total government spending. This rate is higher than in previous years (59% in 2019[140]) due to increased spending to mitigate the impact of the COVID-19 pandemic on the economy.[141] Compared to CHF 37 billion in 2015, total subsidies increased substantially during the period under review.[142] Fifty-seven per cent of subsidies were dedicated to social security, followed by training and research (13%) and transport (12%).

3.95. Switzerland's notifications to the WTO pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the SCM Agreement provide information on subsidies accorded to agriculture and industry and can be found for the years 2016 to 2018 in WTO documents G/SCM/N/315/CHE and G/SCM/N/343/CHE. No data were available at the time of writing for 2019, 2020, and 2021, and some data for 2016-18 on the amounts budgeted per type of subsidies were also missing (Table 2.4). Liechtenstein notified in 2021 that for the period 2017-20 it did not grant or maintain within its territory any subsidy within the meaning of Article 1.1 of the SCM Agreement, which is specific within the meaning of Article 2 of the Agreement, or which operates directly or indirectly to increase exports from or reduce imports into its territory within the meaning of Article XVI:1 of the GATT 1994.[143]

3.96. Switzerland continues to implement the 2006 Federal Law on Regional Policy. Under the framework of the Law, the New Regional Policy (NRP) programme, which started in 2008, aims at reducing regional disparities by creating or sustaining jobs in geographically targeted areas that are considered structurally weak (i.e. having a low level of structural, economic, and social development). The NRP's perimeter includes areas in rural territory, in the mountains, or near the border, where about half of the population lives. The authorities indicate that the perimeter can be reassessed if needed. The NRP can provide support in the form of grants and loans at reduced or zero-rate.[144] The two main priorities of the 2016-23 NRP phase are to promote industry and tourism, which benefited from 80% of grants distributed by the Confederation in 2020.[145] For the period 2008-21, average annual expenses reached CHF 38.7 million in loans and CHF 32 million in grants.[146] Support provided by the NRP is shared between the Confederation and the cantons. Within the scope of the NRP programme, the Confederation may also grant tax relief on direct federal tax. Regulated under the Ordinance of 3 June 2016 on the Granting of Tax Relief within the Scope of the Regional Policy (SR 901.022), tax relief can apply to industrial companies and production-related service providers for projects that create new jobs in the company or restructure existing jobs. Tax

[135] Federal Law on Financial Aid and Compensation, Article 6.
[136] Federal Law on Financial Aid and Compensation, Article 7.
[137] Federal Law on Financial Aid and Compensation, Article 8.
[138] Federal Law on Financial Aid and Compensation, Article 15a.
[139] Federal Administration of Finance, *Subventions, Examen des subventions.* Viewed at: https://www.efv.admin.ch/efv/fr/home/themen/finanzpolitik_grundlagen/subv_subvueberpruef.html.
[140] Federal Administration of Finance, *Subventions, Examen des subventions*.
[141] Federal Department of Finance, *Subventions de la Confédération en 2020*. Viewed at: https://bit.ly/2ZfAOOt.
[142] WTO document WT/TPR/S/355/Rev.1, 22 September 2017, Section 3.3.2.
[143] WTO document G/SCM/N/343/LIE, 26 August 2021.
[144] Regiosuisse, *Nouvelle politique régionale.* Viewed at: https://regiosuisse.ch/fr/aides-financieres-developpement-regional?id=5&name=Nouvelle-politique-r%C3%A9gionale--NPR-.
[145] Regiosuisse, *Contenu et priorités*. Viewed at: https://regiosuisse.ch/fr/contenus-priorites-promotion.
[146] Grants are given for innovation projects; to create synergies; and to operate a knowledge system, fund studies, or monitor the NRP. Information provided by the authorities.

relief support is more restricted than grants and loans support, and only targets areas in which about 10% of the population lives. On average, during the period 2011-20, six projects were approved each year for federal tax relief.[147]

3.97. In addition to support provided under the NRP by cantons, partial or full corporate tax credits are offered on a case-by-case basis, depending on the cantons, for the creation or expansion of projects with particular local economic relevance.[148] These tax-break incentives can be offered by the canton or the commune for up to 10 years.[149] In this context, the creation of at least 10-20 new jobs is required and that the economic activity created is lasting.

3.98. Mandated by SECO, regiosuisse is Switzerland's network for regional development. Created in 2008 to accompany the implementation of the NPR, it now goes beyond the NRP and supports the framework of cohesive regional development. Regiosuisse does not provide financial support, but has created an online tool to identify available support schemes in partnership with SECO, the Federal Office for Spatial Development, the FOAG, and the Federal Office for the Environment (FOEN). Support is available in the form of: grants, loans, guarantee, tax reduction and indemnity.

3.99. Cross-border projects can benefit from financing in order to reinforce economic cooperation between Switzerland and EU countries. Three programmes are offered in partnership with the European Union: Interreg (for innovative and sustainable projects in border regions and for transnational cooperation in larger regions, e.g. in the Alpine space), URBACT (targeted specifically towards urban development), and ESPON (the European Territorial Observatory Network targeting territorial development and spatial planning).[150]

3.100. Federal Law of 25 June 1976 on the Granting of Credit Guarantees and Loan Interest Service Contributions in Mountain Regions and Rural Areas in General (RS 901.2) was revoked in December 2018[151], as its purpose had been replaced by Federal Law of October 2006 on Financial Aid for Guarantee Organizations for SMEs (RS 951.25), which sets the framework for the four loan guarantee cooperatives that currently exist.[152] The revised guarantee cap increased from CHF 500,000 to CHF 1 million. The Confederation insures up to 65% of the associated risk of loss in assisting promising SMEs in obtaining bank loans. In granting its aid, the Confederation considers the specific geographic needs, the availability of guarantees to all Switzerland, the gender aspect, and the complementarity of guarantees with market offers.[153]

3.101. In 2018, the Commission for Technology and Innovation was replaced by the Swiss Innovation Agency (Innosuisse), which is owned by the Confederation. Its aim is to foster science-based innovation beneficial for the economy and society. Innosuisse, *inter alia*, offers funding opportunities for science-based innovation projects, provides training and coaching to support entrepreneurial thinking and help SMEs start their innovation projects, supports networks and events in key innovation fields, and helps companies work together across borders and gain a foothold in the international market. From January 2021 to January 2023, Innosuisse also hosts the Swiss Innovation Power programme, which is meant to support science-based innovation in the context of the COVID-19 pandemic and is open to Swiss companies having less than 500 full-time equivalents.[154]

3.102. The SECO Start-up Fund (SSF) is a development loan facility established by SECO and managed by FINANCEcontact Ltd. The SSF supports Swiss-based start-ups and entrepreneurs with operations located in emerging markets. The SSF offers loans up to a maximum of CHF 500,000, repayable over seven years.[155] Projects will be funded if they aim to leverage long-term development

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[147] Information provided by the authorities.
[148] An example of such incentives for the Canton of Vaud is available here: https://www.vd.ch/themes/economie/soutien-aux-entreprises/exoneration-fiscale-temporaire-de-limpot-cantonal-et-communal-icc/.
[149] S-GE (2020), *Handbook for Investors: Switzerland as a Business Location*, July, p. 99.
[150] Regiosuisse, *Aides financières pour le développement régional*.
[151] FF 2018 7909.
[152] SECO, *Loan Guarantees for SMEs*. Viewed at: https://bit.ly/3GiRGEN.
[153] Federal Law of Financial Aid for Guarantee Organizations towards SMEs.
[154] All support programmes by Innosuisse can be found at: https://www.innosuisse.ch/inno/en/home.html.
[155] The credit conditions and requirements, as well as the interest rate scale, can be found at: https://www.secostartupfund.ch/en/loan-application.html.

opportunities in the targeted area (e.g. employment, new skills, and sustainable production). Since its inception in 1997, the SSF has supported 115 start-ups, among which 85 were still active as of 2020. The Confederation has lent around CHF 31 million through the SSF since its creation.[156]

3.103. In Liechtenstein, only agriculture receives sector-specific government subsidies (Section 4.1). SMEs in every sector can benefit from incentives such as the CHF 15,000 Innosuisse "innovation cheque" to pursue research and innovation activities in partnership with universities or R&D facilities based in Switzerland or Liechtenstein. Applications have to be submitted to the Office of Economic Affairs and the cheque is transmitted to the research institutions that will work with the SME.[157] In addition, SMEs can benefit from a "digital cheque" to develop digital concepts, investments or training of staff, and grants to conduct projects for improving their energy efficiency. The maximum sum is CHF 60,000 per company (CHF 300,000 at the country level). Promoted projects must be implemented in Liechtenstein, and companies must have been domiciled in Liechtenstein for at least five years. In the context of Liechtenstein's CO_2 reduction targets (-40% compared to 1990 by 2030[158]), the Government provides financial subsidies for renewable energy use and improved building insulation.[159] Liechtenstein is part of the EU ETS and applies EU directive 2003/87/EC, which includes optional exclusion of small emitters from the ETS.

3.3.2 Standards and other technical requirements

3.104. In principle, the Confederation has the exclusive authority for adopting technical regulations[160], while the cantons are mainly responsible for implementation and market surveillance. Federal Law of 6 October 1995 on Technical Barriers to Trade (RS 946.51) indicates that technical regulations are drafted in a way that should not hinder trade, are as transparent as possible, and require as little administrative burden as necessary. Technical regulations are elaborated by the competent entity in coordination with SECO, taking into account existing international standards to the extent possible.[161] The Federal Council can conclude international agreements to facilitate, *inter alia*, trade and the recognition of conformity assessment results. Liechtenstein follows Swiss and the relevant EU technical regulations, and it does not have its own regulatory mechanism for technical regulations.

3.105. SECO assumes responsibility, on behalf of the Swiss Government, for implementing the WTO Agreement on Technical Barriers to Trade. Any questions concerning Switzerland's implementation of the Agreement and requests for consultation should be addressed to SECO, which has assigned to the Swiss Information Centre for Technical Rules (switec) the task of setting up and managing Switzerland's WTO enquiry point. It provides information on all current and proposed technical regulations stemming from the Federal Government, local institutions, or non-governmental bodies.[162] Switzerland made 54 regular notifications to the Committee on Technical Barriers to Trade (TBT Committee) during the period 2017-January 2022 (Table 2.4). Switzerland regularly supports specific trade concerns (STCs) in the TBT Committee to raise concerns regarding planned or adopted measures of trading partners. Neither Switzerland nor Liechtenstein was subject to an STC during the review period.

3.106. Switzerland has concluded an MRA with the European Union and the EEA/EFTA States (which include Liechtenstein). Both Switzerland and the EEA/EFTA States have concluded MRAs with

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[156] Information provided by the authorities.

[157] Liechtenstein Business, *Innovation Cheque*. Viewed at: https://www.liechtenstein-business.li/en/Service-for-entrepreneurs/After-founding-the-company/financial-support/innovation-cheque.

[158] Office of Environment (2019), *Liechtenstein's Greenhouse Gas Inventory, 1990-2017*, p. 310.

[159] Liechtenstein Business, *Promotion of energy efficiency*. Viewed at: https://www.liechtenstein-business.li/en/Service-for-entrepreneurs/After-founding-the-company/financial-support/promotion-of-energy-efficiency.

[160] Exemptions may apply, such as in the area of construction products or cableway installations, where the cantons can regulate specific aspects. Information provided by the authorities.

[161] Federal Law on Technical Barriers to Trade, Article 4.

[162] WTO document G/TBT/2/Add.7/Rev.2, 16 May 2014.

Canada[163] and with Turkey.[164] Under an MRA, the importing country will recognize the conformity assessment carried out in the exporting country, thus concerned products will benefit from facilitated placing of goods on the market. The MRA reduces technical barriers to trade by helping companies avoid duplicate conformity assessments.[165] The MRA concluded with the European Union and the EEA/EFTA States in 2002 is based on harmonized technical regulations in 20 sectors, which represented around two thirds of the total bilateral trade with the European Union in 2020.[166] The Parties maintain a list of all conformity assessment bodies notified and recognized under the Agreement.[167]

3.107. While the Switzerland-EU/EEA MRA was updated in 2017 to maintain the mutual market access in 11 of its 20 sectors[168], the inability to reach agreement on the Swiss-EU institutional framework agreement in May 2021 (Section 2.3.2.4) questions the future of the MRA. The Federal Council announced that it intends to continue updating the MRA, as it is in both parties' interests to sustain the Agreement.[169] Swiss and EU technical regulations for medical devices are fully harmonized. Nevertheless, new EU standards for medical devices were introduced in May 2021, and the European Union declined the update of the chapter on medical devices in the MRA to reflect those changes and agree on the trade-facilitating effects. As a result, the MRA no longer covers medical devices in accordance with the Medical Devices Regulation (MDR) of the European Union. Medical devices from the European Union and from Switzerland must now comply with regulations applicable to third countries to enter both markets.[170]

3.108. An MRA was developed between Switzerland and the United Kingdom to continue to facilitate trade in goods, where possible, following the United Kingdom's departure from the European Union. It covers 3 of the 20 sectors included in the Switzerland-EU/EEA MRA and replicates the same rights and obligations on motor vehicles, good laboratory practices, and good manufacturing practice inspection for medicinal products and batch certification. These product areas were chosen as the standards underlying their technical regulations were developed by international organizations to which both Switzerland and the United Kingdom are members.[171]

3.109. Liechtenstein, along with Iceland and Norway, has also concluded an MRA with New Zealand, which entered into force in 2000[172], with Australia (2000, an updated version of 2018 has yet to enter into force[173])[174], and with the United States (2006).[175]

3.110. EU and EEA goods not covered by the EU/EEA MRA can still benefit from facilitated market access under the Cassis de Dijon principle. Applied since 2010 by Switzerland and Liechtenstein, the

[163] The MRAs between Switzerland and Canada (concluded in 1998) and with the EEA-EFTA States and Canada (concluded in 2000) both cover the mutual recognition of conformity assessment results for medicinal products (drugs good manufacturing practice (GMP) compliance certification), medical devices, telecommunications terminal equipment, electro-magnetic compatibility, electrical safety, and recreational craft.

[164] Under Protocol E of the 1992 EFTA-Turkey FTA, products included are industrial products whose list is available at: https://www.efta.int/mra/not-and-acc-conformity.

[165] S-GE (2018), *Switzerland as a Production and Trading Hub*.

[166] SECO (2021), *Trade Statistics on the Swiss-EU Agreement on Mutual Recognition in Relation to Conformity Assessment (MRA) – 2020*, 23 August.

[167] SECO, *MRA Switzerland – EU*. Viewed at: https://bit.ly/3jSG6qH.

[168] SECO (2017), "Actualisation de l'accord sur la reconnaissance mutuelle des évaluations de la conformité", 22 December. Viewed at: https://www.seco.admin.ch/seco/fr/home/seco/nsb-news/medienmitteilungen-2017.msg-id-69368.html.

[169] Federal Council (2021), "No Signing of Swiss-EU Institutional Agreement", 26 May. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-83705.html.

[170] SNV (2021), "Fiche informative sur la rupture des négociations pour un accord-cadre institutionnel entre la Suisse et l'UE".

[171] SECO, *MRA Switzerland – UK*. Viewed at: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelshemmnisse/Mutual_Recognition_Agreement_MRA0/mra_schweiz-uk.html.

[172] Sectors covered: pharmaceuticals (GMPs), medical devices, telecommunications terminal equipment, low voltage equipment, electromagnetic compatibility (EMC), machinery, and pressure equipment.

[173] Information provided by the authorities.

[174] Sectors covered: EMC, pharmaceuticals (GMPs), medical devices, telecommunications terminal equipment, automotive products, pressure equipment, machinery, and low voltage equipment.

[175] Sectors covered were marine equipment under a first agreement, which was expanded to additional marine equipment in 2019. Under a second agreement, sectors covered are telecommunications equipment, EMC, recreational crafts.

Cassis de Dijon principle is a trade policy instrument to dismantle technical barriers to imports from the European Union and EFTA, and thereby enhance import competition and help reduce the high prices prevailing in Switzerland.[176] Under the principle, products that are lawfully put on the market in the European Union and the EEA and comply with the technical requirements of the European Union or the EEA markets (or those of the EU/EEA member States in case of partially or non-harmonized legislation) may be placed on the Swiss and Liechtenstein markets without any prior inspection or other conformity assessment, even if the products do not fall under Swiss technical requirements. Exemptions apply to protect public interest for products that are subject to an import permit, import prohibition, authorization, notification pursuant to the Swiss legislation concerning chemicals, or an exemption granted by the Federal Council (negative list[177]).[178] Foodstuffs are in principle covered by the Cassis de Dijon principle but are subject to specific requirements, namely that foodstuffs fulfilling EU-EEA requirements but not Swiss requirements need to be authorized by the Federal Veterinary Office before being placed on the market.[179]

3.111. If the product does not fall under the scope of the above-mentioned MRAs or the Cassis de Dijon principle (e.g. for animals, weapons, and watches), it must comply with Swiss technical regulations to be placed on the Swiss market. Information on the relevant regulations is available on the SECO portal.[180]

3.112. Labelling under Swiss legislation is extensively harmonized with EU regulations. Utility articles and food labelling requirements are determined by the Federal Department for Home Affairs and are laid out in Articles 36 (food), 37 (GMO food products)[181], and 47 (utility articles) of the 2016 Ordinance on Food Products and Utility Products (as amended in 2020). The specific label requirements for food products are detailed in Section 3.3.3. Chemical Ordinance RS 813.11 sets the mandatory labelling requirements for hazardous substances, such as product identifier labels, hazard pictograms, signal words (guide to the severity of the hazard), hazard statements, safety instructions, manufacturer, ingredients, and other complementary information. According to the legislation, the label must be written in at least two official Swiss languages. Chemical products placed on the market under the Cassis de Dijon principle can be labelled in the language of the Swiss region of sale only.[182] The authorities indicate that the label of all chemical products will have to be written in at least the official language of the Swiss region where the product is supplied, at the latest by 2026.

3.113. In 2021, the association of Switzerland's cantonal chemists and Liechtenstein expressed concern that labelling of food products from online sellers was not satisfactory, with information missing on 78% of online shops. According to the Federal Law on Food Products, information available online should be identical to that figuring on the label of food sold physically.[183] This requirement does not apply to foreign-based online platforms selling food, which do not fall under Swiss legislation and must be controlled by their home authorities, and thus Swiss consumers importing foreign food do it at their own risk.[184]

3.114. The "CE" marking of the European Union is not mandatory for products imported to or produced in Switzerland. However Swiss producers have the right to use the marking, and products exported from Switzerland to the European Union must bear the marking if they fall under a category of products for which the marking is mandatory.[185]

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[176] For more information, see WTO document WT/TPR/S/280/Rev.1, 16 August 2013.

[177] SECO (2020), *Exceptions au "principe Cassis de Dijon" (liste négative),* 1 December. Viewed at: https://bit.ly/3nrUQ0l.

[178] S-GE (2018), *Switzerland as a Production and Trading Hub*.

[179] Information provided by the authorities.

[180] SECO, *Portal of Swiss Technical Regulations*. Viewed at: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelshemmnisse/Importplattform0/Schweizer_Produktevorschriften.html.

[181] Further information on the labelling of GMO food products can be found at: https://bit.ly/3noM7fA.

[182] Common Notification Authority for Chemicals, *Labelling*. Viewed at: https://bit.ly/3BcUfES.

[183] Federal Department of Home Affairs, Fiche d'information à l'usage des acteurs du commerce en ligne de denrées alimentaires. Viewed at: https://bit.ly/3pAAOn1.

[184] FSVO, *Buying Food Online* Viewed at: https://bit.ly/3py0tgg.

[185] The list of concerned products can be found at: https://www.s-ge.com/en/overview-ce-marking-directives.

3.115. Switzerland notified the TBT Committee in April 2020 of the introduction of temporary exemptions from the authorization requirements, as well as import requirements for placing medicinal products on the market. Equally, temporary exemptions from the conformity assessment procedures for medical devices and personal protective equipment were introduced. The aim of these temporary exemptions was to ensure an adequate supply of medicinal products, medical devices, and personal protective equipment during the COVID-19 pandemic.[186] This measure was abrogated by Ordinance 3 on COVID-19 measures of June 2020 (RO 2020 2195). In addition, Switzerland notified the SPS Committee that in light of the COVID-19 pandemic it decided to relax labelling requirements for food products under certain conditions for a time-limited period of six months, so as to provide food manufacturers with more flexibility and to avoid reduced availability of foodstuff for consumers.[187]

3.116. Liechtenstein does not apply specific marking, labelling and packaging requirements but follows Swiss regulations.[188] The Liechtenstein Act of 1995 on the marketability of goods, as amended in 2020, stipulates that goods produced either in conformity with Swiss or EEA regulations may be sold in Liechtenstein. The Technical Test, Measurement and Standards Body under the Office of Economic Affairs is responsible for checking technical regulations, directives, decisions, and ordinances of the European Union and integrating them into Liechtenstein law if applicable, so as to facilitate free movement of goods.[189]

3.117. There has been no new development regarding the legal regime for conformity assessments procedures in Switzerland. The Swiss Accreditation Service (SAS), which is administratively subordinate to SECO, but otherwise independent with its own budget, is responsible for the accreditation of laboratories and inspection and certification bodies, taking into account internal norms. Any decision about allocating, refusing, suspending, or withdrawing an accreditation is made based on the Ordinance of 17 June 1996 on Accreditation and Designation (RS 946.512). Conformity assessments are done either by the manufacturer or an independent third party.[190] The SAS also represents Switzerland in international organizations for accreditation and conformity assessment.[191]

3.118. In Liechtenstein, conformity assessment bodies for certification, inspection, or calibration are accredited by the Liechtenstein Accreditation Service.[192]

3.119. The Swiss Association for Standardization (SNV) encourages the development of national, European, and international standards. It acts as an intermediary using inputs from experts and end-users to develop the standards. Standards are reviewed every three to five years to be either confirmed, modified, or withdrawn. The SNV is a member of the International Organization for Standardization and the European Committee for Standardization. The sector-specific Swiss standardization bodies under the umbrella of the SNV are signatories to the WTO Code of Good Practice for the Preparation, Adoption, and Application of Standards.[193] Approximately 98% of the 28,363 standards currently in force are aligned with international or European standards, above the rate at the time of the previous Review (96%). National standards are nonetheless predominant in the watch industry.[194]

3.120. Liechtenstein does not have a national standards body but is integrated into the standardization process for harmonized European standards based on EU Regulation No. 1025/2012 on European standardization and participates financially in the mandates for their elaboration.[195]

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[186] WTO document G/TBT/N/CHE/245, 16 April 2020.
[187] WTO document G/SPS/N/CHE/84, 24 April 2020.
[188] Information provided by the authorities.
[189] Liechtenstein Business, *Customs – Amidst Two Economic Areas with Excellent Links*. Viewed at: https://bit.ly/3B6jKrr.
[190] SECO, *Conformity Assessment – Accreditation*. Viewed at: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelshemmnisse/Konformitaetsbewertung_Akkreditierung.html.
[191] Swiss Accreditation Service SAS, *Welcome to the Swiss Accreditation Service SAS*. Viewed at: https://www.sas.admin.ch/sas/en/home.html.
[192] Two bodies are accredited for certification (SWISS LLOYD GmbH and Überwachungsgesellschaft für Gesteinsbaustoffe (Products)) and one for inspection (Überwachungsgesellschaft für Gesteinsbaustoffe).
[193] WTO document G/TBT/2/dd.7/Rev.2, 16 May 2014.
[194] SNV (2021), *Rapport annuel 2020*.
[195] Information provided by the authorities.

3.3.3 Sanitary and phytosanitary requirements

3.121. In June 2017, Switzerland notified to the WTO the framework of legislative acts that entered into force in May 2017, along with Switzerland's new food legislation (Federal Law of 20 June 2014 on Foodstuffs and Utility Articles (RS 817.0)).[196] This major revision of the food regulation was intended to harmonize the Swiss law with EU law and to eliminate trade barriers while maintaining already existing bilateral agreements.[197] Nevertheless, some differences remain, as it is mandatory for all prepacked food products sold in Switzerland to include the country or region of production, contrary to some prepacked food products sold in the European Union. The new Swiss legislation includes many of the Codex Alimentarius and World Organisation for Animal Health (OIE) Terrestrial Animal Health Code standards.

3.122. Since the implementation of this revision, all food items that are safe and meet the legal requirements are now allowed to be placed in the market; previously, food items were required to either be described in an ordinance or approved by the authorities.[198] With the end of the former "positive principle", what is not forbidden is now authorized.[199] It is the responsibility of manufacturers, transporters, importers, exporters, and more broadly any party involved in the trade of food to ensure the appropriate self-check on the safety of the products. The relevant authorities can proceed to further controls. The Federal Food Safety and Veterinary Office (FSVO) is responsible for food safety requirements and that imported food complies with applicable regulations.[200] Imports or transit of animals and products containing material of animal origin from non-EU countries are submitted to controls from the Border Veterinary Service (operated by the FSVO) and must comply with the regulations of the Ordinance of 18 November 2015 on the Import, Transit and Export of Animals and Animal Products in Transactions with Third Countries (RS 916.443.10).[201]

3.123. Under the new law, tobacco products are no longer included in the definition of food, but as long as a new tobacco law has not been enacted (in 2025 at the latest), the provisions of the Food Law for tobacco and tobacco products will stay in force.[202] Foodstuffs, objects and materials, cosmetic products, and toys must be traceable at any step of production, transformation, and distribution.[203] Micro-enterprises (up to nine employees) benefit from relaxed requirements in this regard to reduce their administrative burden.

3.124. Under the Customs Union Treaty, Liechtenstein applies Switzerland's SPS measures. Border veterinary controls for trade in animals and animal products between Switzerland, Liechtenstein, and the European Union were abolished in 2009.[204] Norway joined the common veterinary area in 2012. Iceland is part of the common veterinary area only with regard to fishery products.[205] The simplified import conditions for animals and animal products imported from the European Union are laid out under the Agreement on Agriculture between Switzerland and the European Union of 1999 (as amended in 2020). Liechtenstein joined the Agreement in 2007. Annex 11 of the Agreement, known as the Veterinary Agreement, governs the control of certain animal diseases and their notification, trade between Switzerland and the European Union of living animals and their products, imports from third countries, and animal breeding. Switzerland concluded a Veterinary Agreement with New Zealand, which entered into force in 2012 and recognizes the equivalence in their

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[196] WTO document G/SPS/N/CHE/73, 21 June 2017.

[197] Federal Food Safety and Veterinary Office, *Droit alimentaire 2017 – l'essentiel*. Viewed at: https://bit.ly/3jyAVvK.

[198] WTO document G/SPS/N/CHE/73, 21 June 2017. The authorities confirm that this applies to both the European Union and third countries.

[199] "Novel foods" (food not yet well-known by Swiss consumers) should still file applications for authorization, while foods with specific nutritional features for consumers with special needs should be notified to the authorities.

[200] SECO, *Foodstuffs, Animal Products, Animals, Plants and Means of Production*. Viewed at: https://bit.ly/3ks2Duq.

[201] FSVO, *Border Veterinary Service*. Viewed at: https://www.blv.admin.ch/blv/en/home/das-blv/auftrag/vollzug/grenztieraerztlicher-dienst.html.

[202] Federal Law on Foodstuffs and Utility Articles, Article 73.

[203] Federal Law on Foodstuffs and Utility Articles, Article 28.

[204] FSVO, *Veterinary Agreement between Switzerland and the EU*. Viewed at: https://www.blv.admin.ch/blv/en/home/das-blv/kooperationen/internationale-abkommen/veterinaerabkommen-schweiz-eu.html.

[205] Non-fishery products from Iceland remain subject to controls. Information provided by the authorities.

respective regulations for trade in several animal species.[206] As per Article 16, the Agreement also applies to Liechtenstein.

3.125. Importers of live animals and animal non-food products from the European Union and from third countries, as well as importers of animal food products from third countries[207], must be registered in TRACES (the European Union's electronic information and traceability system)[208], and in the case of Liechtenstein, the Food and Veterinary Office. Imports of food from animal origin from third countries should also be accompanied by a veterinary or health certificate delivered by a control entity from the country of exportation that has been approved by the common veterinary area.[209] Through its EEA-EFTA membership, Liechtenstein is a full member of the Rapid Alert System for Food and Feed along with all EU/EEA countries, while Switzerland is a partial member of the system as far as border rejections of product of animal origin are concerned.[210]

3.126. The specific label requirements for organic food are determined by the Federal Department of Economic Affairs, Education and Research (EAER), and are set in the Ordinance of 22 September 1997 on Organic Farming and the Labelling of Organically Produced Products and Foodstuffs (RS 910.18) as amended in 2021. Imported products may be labelled as organic if they have been produced and prepared in accordance with rules equivalent to those detailed in the Ordinance and that production is subject to an inspection procedure also equivalent to that laid out in the Ordinance. A list of countries that are able to guarantee that their products meet these conditions was established by the FOAG.[211] Since 2020, a "GMO free" label is available for food of animal origin, to help consumers make more informed choices.[212] According to the Ordinance of 26 November 2003 on the Declaration of Agriculture Products From Non-Permitted Productions Methods in Switzerland (RS 916.51) as amended in 2020, food imports produced in a manner prohibited in Switzerland must be labelled as such. Food products destined for exportation that are not compliant with Swiss requirements must be clearly labelled as meant for exportation.

3.127. In 2015, the Government launched the Strategy on Antibiotic Resistance to protect human and animal health. Between 2008 and 2018, the consumption of antibiotics for veterinary purposes was halved.[213] In 2019, a national information network was created to register veterinary antibiotics prescriptions.[214] One of the Strategy's objectives is to conduct studies measuring the impact of cross-border trade in animals and animal products on antibiotic resistance. The Strategy also highlights the importance of international cooperation to tackle this challenge and notes Switzerland's participation in EU working groups on this subject.[215]

3.128. During the review period, Switzerland elaborated a new regulation on plant health. Swiss and EU phytosanitary regulations are harmonized, and thus the new Swiss legislation is aligned with the provisions of the EU Plant Health Regulation 2016/2031, which entered into force in 2016 and has been applicable since 14 December 2019 and replaced the Directive 2000/29/EC. The fundamental Swiss provisions are contained in the Ordinance of 21 October 2018 on the Protection of Plants against Particularly Dangerous and Harmful Organisms (RS 916.20), which entered into force in 2020. It superseded the Ordinance of 27 October 2010 on Plant Protection (RS 916.20) and

[206] FSVO, *International Agreements*. Viewed at: https://www.blv.admin.ch/blv/en/home/das-blv/kooperationen/internationale-abkommen.html.

[207] Information provided by the authorities. Imports of animal food products from the European Union do not need to be registered but only accompanied by a commercial document.

[208] FSVO, *Imports from the EU*. Viewed at: https://www.blv.admin.ch/blv/en/home/import-und-export/import/importe-aus-der-eu.html; and FSVO, *Imports from Third Countries*. Viewed at: https://www.blv.admin.ch/blv/en/home/import-und-export/import/importe-aus-drittstaaten.html.

[209] Information provided by the authorities.

[210] European Commission, *Questions and Answers: Rapid Alert System for Food and Feed*. Viewed at: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_17_2461.

[211] The list is available in the Ordinance of 11 November 2020 on Organic Agriculture (RS 910.184).

[212] Federal Council (2020), "Droit alimentaire: de nouvelles dispositions vont entrer en vigueur", 27 May. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-79260.html.

[213] The FSVO's *Swiss Antibiotic Resistance Report 2020*, can be downloaded at: https://www.blv.admin.ch/blv/fr/home/tiere/tierarzneimittel/antibiotika/nationale-strategie-antibiotikaresistenzen--star--.html#141_1461851316407__content_blv_fr_home_tiere_tierarzneimittel_antibiotika_nationale-strategie-antibiotikaresistenzen--star--_jcr_content_par_tabs.

[214] FOPH (2019), "La stratégie Antibiorésistance porte ses fruits", 15 November. Viewed at: https://www.bag.admin.ch/bag/fr/home/das-bag/aktuell/medienmitteilungen.msg-id-77095.html.

[215] Federal Council (2015), *Stratégie Antibiorésistance*, 18 November, pp. 49-52.

introduced stricter requirements and increased preventive measures. Its implementing provisions are set out in the Ordinance of 14 November 2019 on Plant Health (RS 916.201), which lists quarantine pests, regulated non-quarantine pests, and commodities for which importation from third countries is prohibited or which must be accompanied by a phytosanitary certificate or plant passport, or other specific relevant documents. The Ordinances of 29 November 2019 on Phytosanitary Measures for Agriculture and Productive Horticulture (RS 916.202.1) and of 29 November 2017 on Phytosanitary Measures for Forests (RS 916.202.2) specify in particular phytosanitary measures to prevent the introduction and spread of quarantine pests, as well organisms that potentially fulfil the requirements to be regulated as quarantine pests.

3.129. The FOAG and the FOEN jointly operate the Swiss Federal Plant Protection Service (SPPS). The SPPS aims at, *inter alia*, ensuring that imported products comply with the relevant plant legislation and thus at preventing the introduction of quarantine pests.

3.130. Switzerland, Liechtenstein, and the European Union form a common phytosanitary area in which plants and plant products can in principle be traded freely[216]. However, for some, notably plants intended for planting and certain seeds, a plant passport issued by authorized operators or by the competent authority in the country concerned is required, which certifies that the plants meet the health requirements and that the production sites are subject to regular official controls for domestic trade of plants within Switzerland and Liechtenstein and for trade with the European Union.[217]

3.131. A phytosanitary certificate issued by an official authority is mandatory for all imports and exports from/to non-EU countries of plants and certain plant products, such as vegetables, fruits, cut flowers, and seeds, and border controls apply.[218] Phytosanitary certificates for export are issued by the SPPS, which also carries out the phytosanitary import controls. Import permits are issued by the FOAG for certain plants and their products. Protected species must be accompanied by a CITES export permit issued by the country of origin.[219]

3.132. Switzerland is a member of the International Plant Protection Convention. It is also a member of the European and Mediterranean Plant Protection Organization (EPPO), which develops standards on plant protection products and phytosanitary measures and makes recommendations for the regulation of pests to its member countries. Draft standards are first discussed by all EPPO members and adopted by consensus. Elaborated standards are then addressed as recommendations to EPPO member countries.[220]

3.133. Switzerland notified to the WTO in 2019 the creation of a legal basis for the prohibition of importation of species of fauna and flora that can be easily confused with other protected and threatened species according to CITES.[221]

3.134. Special regulations apply to products that are, contain, or are derived from GMOs. An authorization is required for placing these products on the market. After the authorization from the FSVO has been delivered, the manufacturers must regularly demonstrate to the FSVO that the characteristics of the authorized GMO food have not changed. The federal authorities will reassess the safety of the GMO based on the available science. The maximum duration of the authorization is 10 years. One soya line, three maize lines, two vitamins, two rennet enzymes, two types of sugar

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[216] Unlike the common veterinary area, Norway and Iceland are not included in the common phytosanitary area.

[217] Federal Office for Agriculture, *Switzerland and the EU*. Viewed at: https://www.blw.admin.ch/blw/en/home/nachhaltige-produktion/Pflanzengesundheit/handelmitpflanzenmaterial/schweizundeu.html.

[218] Federal Office for Agriculture, *Trade in Plant Material*. Viewed at: https://www.blw.admin.ch/blw/en/home/nachhaltige-produktion/Pflanzengesundheit/handelmitpflanzenmaterial.html. The only fruit that can still be brought into Switzerland or the European Union from any other country without a phytosanitary certificate are pineapples, coconuts, durians, bananas, and dates.

[219] SECO, *Foodstuffs, Animal Products, Animals, Plants and Means of Production*. Viewed at: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Technische_Handelshemmnisse/Importplattform0/Schweizer_Produktevorschriften/Lebensmittel_landwirtschaftliche_Produkte.html.

[220] EPPO, *EPPO Standards*. Viewed at: https://www.eppo.int/RESOURCES/eppo_standards.

[221] WTO document G/SPS/N/CHE/75, 6 August 2019.

as an ingredient, and five processing aids are currently authorized in Switzerland for use in foods.[222] The moratorium on approvals for the cultivation of biotechnology crops was extended in 2021 for four more years as some regulatory aspects still needed to be clarified before its waiver. As of early 2022, GMO cultivation is allowed in Switzerland only for research purposes.

3.135. Over the review period, no STC was raised in the SPS Committee regarding Switzerland's or Liechtenstein's SPS measures, while Switzerland supported four concerns raised by other members.[223] As Switzerland's SPS regulation is highly similar to the European Union's, the authorities indicated in their responses to WTO Members' questions during the last Review that they were closely following the STCs being raised regarding EU SPS measures. While Switzerland did not provide any SPS notification during the period 2011-17, it submitted 14 regular notifications during the review period (Table 2.4), mostly related to harmonization of international SPS regulations such as from the World Health Organization or the European Union. Harmonization on SPS is all the more important as 60% of all Swiss exports in agricultural products go to the European Union, while 77% of all Swiss imports in agricultural products come from the European Union.[224]

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy – Switzerland

3.136. The Swiss legal framework regulating competition comprises three main elements: (i) the Federal Law on Cartels and Other Restraints of Competition of 6 October 1995 (Cartel Act); (ii) the Federal Ordinance of 17 June 1996 on the Control of Concentrations of Undertakings (Merger Control Ordinance); and (iii) the Federal Ordinance of 12 March 2004 on Sanctions Imposed for Unlawful Restraints of Competition (Cartel Act Sanctions Ordinance).[225] The agreement between Switzerland and the European Union concerning cooperation on the application of their competition laws, which entered into force on 1 December 2014, is also of relevance. This agreement is procedural in nature and does not entail any harmonization of substantive law. It provides, in particular, for notification of enforcement measures and for coordination and exchange of confidential information, and it contains procedural guarantees for the concerned companies.[226]

3.137. As regards new developments during the review period, the Federal Government continues to consider the modernization of the merger control system. Two studies were published on the subject, one in 2017 and the other in 2020.[227] Additionally, in 2021, the Swiss Federal Council submitted a proposed revision of the Cartel Act to a public consultation. The key element of the partial revision concerns the adoption of the SIEC (significant impediment to effective competition) test to align the Competition Commission's (COMCO) control standards to international practice.[228] Other developments relate to a popular initiative on "fair prices", which was withdrawn after the Federal Parliament agreed on satisfactory legal adjustments. The package includes two aspects and will enter into force on 1 January 2022.[229]

3.138. One aspect consists of two amendments to the Cartel Act adopted by the Federal Parliament on 19 March 2021.[230] The first amendment introduces the concept of undertakings with relative

[222] Information provided by the authorities in December 2021.
[223] Those four concerns were on China's AQSIQ official certification requirements for food imports, general import restrictions due to BSE, China's administrative measures for registration of overseas manufacturers of imported food, and China's actions to COVID-19 that affect trade in food and agricultural products. WTO documents G/SPS/R/95, 12 September 2019; and G/SPS/R/102, 17 September 2021.
[224] FSVO (2021), *Maintenance of Equivalence on Official Controls by Switzerland*, March. Viewed at: https://ec.europa.eu/food/system/files/2021-03/reg-com_ahw_20210315_pres_ocr-equi_che.pdf.
[225] COMCO, *Competition*. Viewed at: https://www.weko.admin.ch/weko/en/home/rechtliches_dokumentation/legislation.html.
[226] *Official Journal of the European Union* (2014), L 347/3, 3 December.
[227] SECO, Studies on Mergers Related to the Cartel Act Made by the Secretariat of the Economy. Viewed at: https://www.seco.admin.ch/seco/fr/home/wirtschaftslage---wirtschaftspolitik/wirschaftspolitik/Wettbewerbspolitik/kartellgesetz.html.
[228] Federal Council (2021), "Lois sur les cartels: le Conseil fédéral ouvre la consultation concernant la révision partielle", 24 November. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-86059.html.
[229] Federal Council (2021), "Indirect Counter-Proposal to the Fair Prices Initiative Enacted", 17 September. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-85152.html.
[230] Federal Law on Cartels and Other Restraints of Competition.

market power into Swiss competition law: An undertaking will be considered to have relative market power if one or more other undertakings are dependent on it. While under the amendment only undertakings (as opposed to individuals and, generally, the public sector) can be dependent on an undertaking with relative market power, dependent undertakings can include both the customers and the suppliers of the company with relative market power. Dependence is considered to exist when there are no sufficient and reasonable options to switch to other undertakings. The existing provisions for an abuse of a dominant position will also apply to an abuse of relative market power. However, in contrast to an unlawful abuse of a dominant position, an unlawful abuse of relative market power will not result in a direct sanction. The second amendment inserts into the list of measures that may constitute an abuse of a dominant position a new item relating to the freedom of procurement abroad: Restrictions of buyers' ability to purchase goods or services offered in Switzerland and abroad at the market prices and conditions that are common in the respective industry abroad may be considered unlawful. It also clarifies that this new item applies to both undertakings in a dominant position and undertakings with relative market power.[231]

3.139. The other aspect of the package adopted by the Federal Assembly amends the Federal Law Against Unfair Competition of 22 October 1992.[232] Under the amendment, geo-blocking measures by private undertakings (i.e. geo-blocking measures that are not imposed by the State) are deemed unfair and therefore unlawful. This means that it is no longer possible in distance-selling situations (i.e. sales by Internet, telephone, or catalogue) to discriminate against Swiss customers with regard to prices or terms of payment, except if there is an objective reason.[233] This amendment does not apply to a list of sectors exempt from it, which include non-profit services, public transportation services, health services, and electronic communication services.[234]

3.140. Switzerland's competition authority consists of COMCO and its expert Secretariat. COMCO is not a full-time body and consists of 11 to 15 members who are elected by the Swiss Federal Council. Its members are professors of law or economics, legal practitioners, representatives of major industry associations, consumer organizations, and labour unions. COMCO is the main decision-making body and also takes decisions on fines. The Secretariat is a full-time body with expert staff. It carries out investigations in the area of competition law and prepares requests for decision for approval by COMCO, seeks comments from affected undertakings, and submits the request, together with any comments, for decision to COMCO. COMCO's decisions can be appealed to the Federal Administrative Court, whose judgments can in turn be submitted to the Federal Supreme Court for final review.

3.141. As previously, COMCO prioritized the fight against hard-core horizontal and vertical cartels as well as market foreclosures, which have the effect of reducing import competition. Between 2017 and 2020, COMCO opened 20 investigations concerning anti-competitive agreements or abuse of a dominant position. In 2017, COMCO sanctioned Swiss Post for abuse of a dominant position on the market of mass mailing by commercial customers of letters above 50 grammes. In 2018, COMCO concluded an amicable settlement with the German company Rimowa for unlawfully prohibiting dealers in Germany from exporting its products to Switzerland. In 2019, COMCO reached amicable settlements with, and sanctioned, several banks for a case relating to currency exchange rates (Forex). Traders from the "three-way banana split" cartel, which were working for Barclays, Citigroup, JP Morgan, the Royal Bank of Scotland (RBS), and UBS, and traders from the "Essex express" cartel, which were working for Barclays, MUFG Bank, RBS, and UBS, had been shown to participate in price-fixing behaviour. An investigation is still ongoing into Credit Suisse's activities related to this case. COMCO views amicable settlements as an attractive option both for affected companies and COMCO itself, because they result in a prompt end to investigations, may obviate the need for recourse to judicial review, and may be associated with lower levels of sanctions. In 2020, COMCO sanctioned UPC, which had acquired a dominant position in the broadcasting of ice-hockey games in Switzerland (2017-22), for refusing to give its competitor Swisscom broadcasting options until 2020. Swisscom had been sanctioned for similar behaviour in the broadcasting of football and ice-hockey games in 2016. Also in 2020, COMCO sanctioned "energie wasser luzern" (ewl) and Erdgas Zentralschweiz AG (EGZ) for denying access to their natural gas

[231] Federal Council (2021), "Indirect Counter-Proposal to the Fair Prices Initiative Enacted", 17 September. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-85152.html.

[232] Federal Law Against Unfair Competition.

[233] Federal Council (2021), "Indirect Counter-Proposal to the Fair Prices Initiative Enacted", 17 September.

[234] Federal Law Against Unfair Competition, Article 3a, para. 2.

network to third-party suppliers, thereby opening up the gas market in Central Switzerland. Bid-rigging was another investigation priority. Starting in 2017, COMCO issued 10 decisions on bid-rigging investigations in the Canton of Graubünden linked to construction projects. In 2020, based on a series of extensive investigations, the Secretariat concluded that relevant construction companies were colluding as part of a permanent consortium. Six of the 10 investigations still have pending judicial proceedings.[235]

3.142. As concerns merger control, COMCO during the review period assessed several planned concentrations. In 2017, COMCO decided not to approve a planned merger between Starticket and Ticketcorner, because Ticketcorner's dominant position in the area of ticket sales for various events would have been further reinforced by a merger with Starticket.[236]

3.143. Concerning other COMCO activities, COMCO engaged with federal and cantonal procuring entities to assist them in facilitating the detection of bid-rigging. It also contributed to the revision of the Federal Law on Public Procurement, which entered into force on 1 January 2021. Advocacy activities also form part of COMCO's responsibilities. For example, during the review period, COMCO strongly supported the Federal Council's proposal to eliminate all tariffs on industrial goods.[237] The Federal Assembly adopted the proposal in 2021. Subject to the referendum period passing unused, the Federal Council will decide on the date of entry into force by February 2022.[238]

3.144. During the review period, there were several court decisions in the area of competition law. In a landmark ruling, the Federal Supreme Court in 2017 published its reasoning in the Elmex/GABA case. It decided that: (i) hard horizontal and vertical cartels are in principle significant restrictions of competition and unlawful, unless justified on grounds of economic efficiency; and (ii) not only agreements eliminating effective competition, but also agreements significantly restricting competition, can be sanctioned. The courts on the whole affirmed COMCO's decisions. Notably, the Federal Supreme Court in 2017 confirmed a judgment by the Federal Administrative Court, which had rejected an appeal by BMW AG against a COMCO sanction imposed on the company for prohibiting dealers outside Switzerland to export its products to Swiss customers. In the Altimum case, the Federal Supreme Court in 2018 confirmed COMCO's decision that the minimum resale prices that Altimum had imposed on its dealers constituted anti-competitive vertical agreements. It also clarified that what mattered was whether the purpose of such agreements was to bring about a significant restriction of competition and not whether the dealers effectively implemented the agreements. The Court also noted that a justification for the significant restrictions of competition would have been possible if the minimum prices had been necessary to enable specialized resellers to compete on quality (advice given to customers) with less specialized, more price-competitive stores. However, no such justification had been advanced in the Altimum case.[239] In 2021, the Federal Supreme Court confirmed the impermissibility of price recommendations by three producers of drugs for erectile dysfunction (Pfizer AG, Eli Lilly SA, and Bayer AG). The court qualified the price recommendations as a concerted practice because there was successful coordination with retailers and the recommendations had the effect of a fixed price rather than a maximum price.

3.145. For statistical information on competition enforcement in Switzerland, see Table 3.16.

Table 3.16 Competition enforcement statistics 2018-20

	2018	2019	2020
1. Initiation of case investigations (number)			
a) Cases concerning anti-competitive agreements	5	1	5
b) Cases concerning abuse of dominance	1	2	2
c) Leniency applications	Not disclosed	Not disclosed	Not disclosed
d) Notifications of mergers and acquisitions	34	40	35
2. Completed cases (number)			
a) Anti-competitive agreements	4	11	3
b) Abuse of dominance	0	0	3
c) Settlements	2	10	5

[235] COMCO, *Annual Reports*, various issues.
[236] COMCO, *Annual Report 2017 of the Competition Commission*.
[237] COMCO, *Annual Report 2019 of the Competition Commission*.
[238] SECO website. Viewed at: https://www.seco.admin.ch/seco/de/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Warenverkehr/Tarifpolitik/Aufhebung_Industriezoelle.html.
[239] COMCO, *Annual Reports*, various issues.

	2018	2019	2020
d) Mergers and acquisitions (total number of decisions and number of mergers and acquisitions that were not approved)	0	0	0
3. Infringement penalties (number and CHF '000)	30,000	156,000	39,000
4. Appeals (number of completed judicial review decisions)	8	10	16

Source: Information provided by the Swiss authorities.

3.3.4.2 Competition policy – Liechtenstein

3.146. Liechtenstein does not have a national cartel law, a national merger control law, or a national competition authority.[240] It is subject to the EEA rules relating to competition. The rules and regulations relating to competition in the EEA are set out in Articles 53 to 60 of the EEA Agreement and its Annex XIV (Competition), in particular, Articles 53 and 54 (which mirror Articles 101 and 102 of the Treaty on the Functioning of the European Union). Protocols 21 to 25 of the EEA Agreement provide more detailed rules on competition, including incorporation of the relevant EU regulations and directives.[241] Responsibilities for investigation and decisions on cases are set out in Article 56 of the EEA Agreement, which states that individual cases where only trade between EFTA EEA States is affected are to be decided by the EFTA Surveillance Authority (ESA), in addition to some cases where the turnover in the EFTA EEA States of the undertakings concerned is 33% or more. The European Commission is responsible for cases affecting trade between EFTA EEA States and the member States of the European Union.

3.147. Pursuant to Liechtenstein's Law on the Implementation of Competition Rules in the European Economic Area[242], the competent national competition authority responsible for implementing EEA competition rules and regulations is Liechtenstein's Office of Economic Affairs, except for matters falling within the jurisdiction of Liechtenstein's courts. The Office of Economic Affairs does not decide competition cases, but implements relevant decisions taken by the ESA or EU authorities. The Law on the Implementation of Competition Rules in the European Economic Area stipulates that complaints against decisions by the Office of Economic Affairs may be lodged with Liechtenstein's Government, while government decisions may be challenged before Liechtenstein's Administrative Court. During the review period, the Office of Economic Affairs did not implement any relevant ESA or EU decisions.

3.148. No statistical information on competition enforcement was provided by the Liechtenstein authorities. According to the authorities, there have not been any competition cases concerning Liechtenstein that were dealt with by the EFTA Surveillance Authority.

3.3.4.3 Price controls – Switzerland

3.149. Switzerland's regime of price surveillance and prevention of abusive pricing by public and private monopolies or enterprises with market power remains unchanged. In accordance with the Law on Price Surveillance, the Price Supervisor, who is appointed by the Federal Council, has the responsibility of observing price developments and preventing abusive price increases or abusive price maintenance in any market where the price level is not the consequence of effective competition.[243] Establishing the conditions for effective competition falls under the purview of COMCO. Price surveillance covers the prices of goods and services charged by public or private enterprises with market power as well as administered prices (i.e. prices set or approved by the State). Enterprises with market power may submit their planned price increases to the Price Supervisor. The Price Supervisor may also act on its own initiative or upon information from the public to determine whether there are indications of abusive pricing. If abusive pricing by an enterprise is found, the Price Supervisor may attempt to reach an amicable settlement with the respective enterprise, failing which he or she is authorized to prohibit all or part of the price increase

[240] Liechtenstein's Office of Economic Affairs. Viewed at: https://www.llv.li/inhalt/184/amtsstellen/wettbewerbsrecht.
[241] Agreement on the European Economic Area (EEA Agreement).
[242] Law on the Implementation of Competition Rules in the European Economic Area, 23 May 1996.
[243] The Law stipulates that abusive pricing can be found only if prices on a given market are not the result of effective competition. The Law lists factors to take into account, such as cost increases in the relevant market and prices in comparable markets.

or order a reduction in price. Entities that fail to meet or attempt to avoid prices agreed by consent are liable to a fine of up to CHF 100,000.

3.150. In the case of administered prices, the Price Supervisor may request the relevant State entity to increase abusive prices or to lower them. If the State entity does not follow the request, it must give its reasons. Switzerland maintains administered prices at the federal, cantonal, and municipal levels. Goods and services subject to administered prices include medicines, electricity, gas, water, basic telecom services, airport taxes, and notary services. In addition, fees for hospital treatment and medical doctors are regulated at the cantonal level, and taxi tariffs, and tariffs for garbage and wastewater collection, amongst others, are regulated at the municipal level.

3.151. Agricultural import threshold prices are a special case of price controls or administered prices, as they are also an instrument of agricultural protection (Section 4.1). For certain basic agricultural products (grains and oilseeds), Switzerland applies a system of threshold prices on imports to keep the duty-inclusive prices within certain price ranges. Variable MFN import duties[244] allow the authorities to control and stabilize the domestic prices of the agricultural products concerned around the level of the statutory threshold prices.

3.152. The Price Supervisor publishes an annual report on the main investigations. During the period under review, the Price Supervisor opened multiple investigations into abusive or administered prices, including against the hotel reservation platform Booking.com in 2017 and the incineration plant Limeco in 2018, as the communal rates that the latter had charged for waste disposal were high. The Price Supervisor reached amicable settlements or concluded price moratoria with a multitude of companies in a dominant position and with public monopolies. This was notably the case of the natural gas distribution group Holdigaz SA in 2017 and led to a price decrease for the company's clients averaging 3%. In 2018, the Price Supervisor concluded an agreement with the Swiss Federal Railways (SBB) that made it possible for consumers to make savings of up to CHF 80 million per annum. In 2020, a settlement was reached with Swisscom, under which Swisscom had to lower the (rental) price that it charged other telecommunications suppliers for Swisscom's product Access Line Optical (ALO), which provides to the rights to use Swisscom's unused fibre network (FTTH). Customs clearance fees were also an area of interest to the Price Supervisor, as they were often higher than the value of the evaluated article itself. This problem was exacerbated by the COVID-19 crisis. In 2017, based on a parliamentary proposal, a legal basis was created that allowed the Federal Customs Administration, at the request of the Price Supervisor, to pronounce sanctions against companies that charged excessive customs clearance fees to their customers. In August 2020, however, the Federal Administrative Court found that legal basis to be inappropriate.[245]

3.3.4.4 Price controls – Liechtenstein

3.153. Liechtenstein maintains price controls on public transport, telecommunications, postal and medical services, and drugs and medical equipment. Prices for electricity and natural gas (except for grid access/transport) can be set individually by each electricity or natural gas supplier. The prices are composed of a tariff for the use of the network (regulated by the Energy Market Commission) and a tariff for the energy itself. Due to few alternative energy suppliers, most prices for electricity are *de facto* set by the two state-owned companies. Some customers have already switched their electricity supplier, according to the authorities. A new natural gas supplier entered the market during the review period, resulting in lower natural gas prices.

3.3.5 State trading, state-owned enterprises, and privatization

3.154. Alcosuisse, the former profit centre of the Swiss Alcohol Board and sole importer of ethanol products, was sold to a private Swiss company in 2018. This follows the partial revision of the Alcohol Law in 2016 and of the Ordinance on Alcohol and the Alcohol Law in 2017.[246] The Swiss Alcohol Board was integrated into the FCA (now the FOCBS). Alcosuisse's monopoly on the importation of

[244] Within limits set by Switzerland's tariff bindings.
[245] Price Supervisor, *Annual Reports*, various issues.
[246] Federal Council (2017), "Entry into Force on 1 January 2018 of the Partially Revised Alcohol Legislation", 15 September. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-68128.html.

ethanol was ended with the liberalization of the ethanol market in 2019.[247] Switzerland notified the WTO Working Party on State Trading Enterprises in December 2020 that the private sector is allowed to import ethanol and spirits without restriction and without any permit. The taxes, fixed by the Federal Council, have to be paid on imported goods as well as on domestic production. Domestically produced ethanol and spirits are produced by private-sector actors that, for control reasons, have been granted a concession by the Confederation (farmers, and industrial and professional producers).[248]

3.155. The Swiss cantons hold an ancient salt monopoly (*régale du sel*) that covers imports and sale of various types of salt. The monopoly is exercised by Salines Suisses SA, which is fully owned by the Swiss cantons and Liechtenstein. The merger between Salines de Bex SA (mainly owned by the Canton of Vaud) and Salines Suisse du Rhin SA (owned by all cantons, except Vaud, and Liechtenstein) was decided in 2014 and formally achieved in 2021.[249] Yearly revenues of the company range between CHF 60 million and CHF 70 million.[250] The cantons, through Salines Suisses, fix the sales price of salt, which includes a tax (*droit de régale*) on imported and domestically produced salt. Road salt (HS 2501.0090), the most widely used salt type, is subject to a tax of CHF 1 per tonne.[251] The intercantonal convention of 1973 regulates the sale of salt and guarantees its supply to all of Switzerland and Liechtenstein at a fixed price, shielded from demand shocks or transportation costs throughout the two countries. In 2018, the Swiss Federal Audit Office argued for a renegotiation of salt prices that it deemed too high compared to Switzerland's neighbours. Salines Suisses responded that the higher price of salt is similar to the higher price of food commodities in general and that the current system allows the country to be self-sufficient and avoid any risk of shortage.[252] Salines Suisses is a member of the European Salt Producers' Association.[253]

3.156. Specific conditions apply to importation of salt (i.e. specific maximum quantities and taxes are applicable) depending on the type of salt (e.g. herbal salt, coarse sea salt, cosmetic salt). Only salt that cannot be provided by Salines Suisses can be imported. Importation for private consumption below 50 kg of all types of salt, however, is allowed and tax-free. A demand can be made for the reimbursement of the tax on salts used for further processing before re-exportation.[254] During the past decade, trade in salt sharply declined, with importation dropping by 69% between 2010 and 2020 and exportation contracting by 91%.[255]

3.157. As a shareholder of Salines Suisses SA, Liechtenstein is supplied by the company. However, because of its EEA membership, Liechtenstein has replaced the monopoly tax with an excise duty on salt of EEA origin (and other EEA-originating products affected by the Swiss salt monopoly).[256]

3.158. At the federal level, Switzerland has five state-owned enterprises (SOEs) that are wholly or majority-owned by the Confederation. They fall under the category of "market services" among the activities outsourced by the Federal Council. Each is managed by the Federal Council according to strategic objectives reviewed and renewed every four years.[257] The five companies are RUAG Holding AG (operating in the aerospace and defence sector), the Swiss Federal Railways (SBB), Swiss Post, Skyguide (Swiss Air Navigation Services), and Swisscom (telecommunications). No recent data are

[247] Federal Council (2018), "Federal Council Awards Sale of Alcosuisse AG", 2 February. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-69703.html.
[248] WTO document G/STR/N/18/CHE/Rev.1, 21 December 2020.
[249] Salines Suisses (2021), "*Salines Suisses SA and Saline de Bex* fusionnent et achèvent le regroupement initié en 2014", 29 April. Viewed at: https://www.salz.ch/fr/salines-suisses-sa-et-saline-de-bex-sa-fusionnent-et-achevent-le-regroupement-initie-en-2014.
[250] Wuthrich, B. (2018), "Le monopole du sel coûte cher aux routes suisses", *Le Temps*, 27 March.
[251] FOCBS (2021), "*Exportations de sel 2020 : au plus bas depuis 30 ans*", 9 March. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-82591.html.
[252] Salines Suisses, *Interview de Urs Hofmeier*. Viewed at: https://www.salz.ch/fr/histoires-de-sel/de-la-vie-et-du-sel/interview-de-urs-hofmeier-sur-la-regale-des-sels.
[253] Salines Suisses, *Nous assurons l'approvisionnement en sel de toute la Suisse*. Viewed at: https://www.salz.ch/fr/qui-sommes-nous.
[254] Salines Suisses, Régale des sels en Suisse. Viewed at: https://www.salz.ch/fr/qui-sommes-nous/regale-des-sels-en-suisse.
[255] FOCBS (2021), "*Exportations de sel 2020 : au plus bas depuis 30 ans*", 9 March.
[256] The tax rate (per tonne) varies according to end use, e.g. CHF 175 for packaged edible salt, CHF 1 for road salt, CHF 0.94 for industrial use, and CHF 5 for other purposes.
[257] FFA, *Enterprises and Institutions*. Viewed at: https://www.efv.admin.ch/efv/en/home/themen/finanzpolitik_grundlagen/cgov/unternehmen_anstalten.html.

available on companies majority-owned by cantons. According to a 2017 study, cantons held shares in more than 500 companies.[258]

3.159. With the exception of RUAG, which is managed by the Federal Department of Defence, Civil Protection and Sport (DDPS) and the Federal Finance Administration, all companies owned by the Federal Council are managed by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Finance Administration. Skyguide is jointly managed by the DDPS. The Federal Council, as the owner, retains the right to elect the board of directors, elaborate the strategic objectives, and approve the management report and annual accounts. The Federal Assembly ensures that the Federal Council executes its ownership duties.[259] Following a series of issues involving Swiss SOEs, a group of experts was mandated in 2019 to evaluate the Federal Council's ownership of Swiss Post, RUAG, SBB, and Swisscom. The report concluded that it was satisfied with the companies' ownership, noting however some areas for improvement (e.g. conflicting objectives and diverging views among the Departments).[260] The Federal Council decided to adopt some of its recommendations, such as on greater transparency and compliance management.[261]

3.160. Every year, the Confederation publishes a report on the achievements of the strategic objectives for the Swiss SOEs. For 2020, assessments of their performance were the following:

- Swiss Post was profitable in 2020 and 2019, although profits decreased in 2020. It paid out annual dividends to the Confederation of CHF 50 million in 2019 and 2020. In 2019, the Confederation decided to cut dividends from CHF 200 million to CHF 50 million due to the tighter economic situation and a changing postal market. Swiss Post received federal subsidies of CHF 236 million in 2020, of which CHF 186 million was earmarked for the regional passenger transport CarPostal and the rest as indirect support to the press (reductions on the prices for the delivery of magazines and newspapers). Whereas the number of letters delivered declined, the rise of e-commerce led to an increase in package shipments. DETEC estimated that the company's objectives had been met overall.

- The SBB partially met its objectives, according to DETEC. While the SBB recorded a profit of CHF 463 million in 2019, the restrictions of the COVID-19 pandemic significantly reduced the use of public transportation and in 2020 the SBB recorded a loss of CHF 617 million. The Confederation granted CHF 2.7 million in subsidies to the SBB for the year 2020.

- Swisscom does not receive federal subsidies. Profits totalled CHF 1.5 million in 2020, down by CHF 141 million from 2019. DETEC estimated that the company's objectives had been overall met. Swisscom is 51% owned by the Confederation.

- RUAG Holding partially met the objectives set by the Federal Council. It recorded a loss of CHF 186 million, compared to a loss of CHF 25 million in 2019, notably due to a weak civil aviation sector in 2020. It does not receive subsidies from the Confederation.[262]

- Skyguide received CHF 27.8 million in subsidies from the Confederation. Due to the disruption of air traffic caused by the COVID-19 pandemic, Skyguide registered a loss of CHF 165 million in 2020. Before the pandemic, it also recorded a loss of CHF 4 million in 2019. DETEC estimated that the company's objectives had been met overall.

3.161. The financial services provider Post Finance Ltd., a wholly owned subsidiary of Swiss Post, holds a banking licence. In 2021, the Federal Council announced that it intended to privatize this

[258] Federal Council (2017), *Etat et concurrence*, 8 December. Viewed at: https://www.seco.admin.ch/seco/fr/home/wirtschaftslage---wirtschaftspolitik/wirschaftspolitik/Wettbewerbspolitik/staat-und-wettbewerb.html.

[259] The Federal Assembly ensures that the Federal Council executes its ownership duties.

[260] Evaluation du gouvernement d'entreprise de la Confédération fondée sur l'analyse de quatre entreprises, 2019. Viewed at: https://www.newsd.admin.ch/newsd/message/attachments/57550.pdf.

[261] Federal Council (2019), "Le Conseil fédéral adopte des mesures à la suite du rapport d'experts sur le gouvernement d'entreprise", 26 June. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-75607.html.

[262] Federal Council, *Rapport succinct 2020 du Conseil fédéral sur l'atteinte des objectifs stratégiques.* Viewed at: https://www.newsd.admin.ch/newsd/message/attachments/66262.pdf.

subsidiary. Plans for this privatization should be announced in the upcoming months.[263] In January 2020, BGRB Holding AG created two sub-holdings: RUAG MRO, which will supply the Swiss Armed Forces, and RUAG International, which will be progressively privatized. This decision, enacted in 2019, was taken due to the fact that only a fraction of the group's activities was still directed towards providing equipment to the Swiss Armed Forces.[264]

3.162. There has been no major change regarding SOEs in Liechtenstein since the last Review. Fully or partially SOEs continue to hold exclusive rights or exercise monopoly powers over public passenger transport (through LIEmobil company, fully owned), certain postal services (Liechtenstein Postal Service, 75% publicly owned), the supply of energy (Liechtenstein Gas Supply and Liechtenstein Power Plants, fully owned), and telecommunications (Telecom Liechtenstein, in 2020 the Government repurchased the minority shareholder's block of shares, increasing public ownership from 75.1% to 100%).[265] The Government is also the majority holder of the Liechtensteinische Landesbank, which conducts banking business of all kinds for its own account and for the account of third parties in Liechtenstein and abroad.[266] In November 2021, Swiss Post concluded the process of selling the previously held 25% share of Swiss Post in the Liechtenstein Postal Service to Liechtenstein, who is now the sole shareholder. Liechtenstein and Swiss Post also concluded a partnership agreement to maintain a close relationship in the future.[267] State-owned enterprises are legally obliged to periodically provide information to the Government on the implementation of their strategy, activities, and main financial performance indicators, and this information must then be reported by the Government to the Audit Committee of the Parliament.[268] The authorities indicate that SOEs' employment represented 6.6% of total employment, unchanged from 2017 at the time of the previous Review.

3.3.6 Government procurement

3.3.6.1 Overview

3.163. Both Switzerland and Liechtenstein are parties to the Agreement on Government Procurement Agreement 2012 (GPA 2012). The GPA 2012 entered into force in Liechtenstein on 6 April 2014. Switzerland was the last party to the GPA 1994 to accept the GPA 2012, due to its wish to complete a reform of its domestic government procurement laws. The GPA 2012 entered into force in Switzerland on 1 January 2021.[269]

3.164. With regards to the commitments undertaken through the GPA 2012, Switzerland offers comprehensive coverage of entities at all levels of government, including new central-level entities pertaining to the federal judiciary authorities and the federal prosecution authorities.[270] On the basis of reciprocity, Switzerland extended its subcentral market access opportunities to Canadian companies. It also provided subcentral market access opportunities in specific sectors to suppliers from the Republic of Korea, Israel, and Japan.[271] In Annex 3, the federal railway sector remains excluded. At the same time, Switzerland expanded its list of non-sensitive defence items covered. Switzerland made reservations on the application of the GPA 2012 to other signatories that had not extended comparable and effective access to certain entities and/or in certain activities to Swiss firms.[272]

[263] Federal Council (2021), "Le Conseil fédéral souhaite améliorer les conditions-cadres de PostFinance", 30 June. Viewed at: https://www.seco.admin.ch/seco/fr/home/seco/nsb-news.msg-id-84253.html.
[264] Federal Council (2019), "Federal Council Decides on the Future of the RUAG Technology Corporation", 18 March. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-74367.html.
[265] Information provided by the authorities.
[266] Information provided by the authorities.
[267] Information provided by the authorities.
[268] Information provided by the authorities.
[269] WTO document GPA/LEGIS/CHE/1, 6 January 2021.
[270] WTO document WT/Let/1532, 21 February 2021, Annex 1 (central government entities) to Appendix I to the GPA 2012.
[271] Fedlex, "Message relatif à l'approbation du Protocole portant amendement à l'accord sur les marchés publics de l'OMC", 21 March 2017. Viewed at: https://www.fedlex.admin.ch/eli/fga/2017/419/fr.
[272] See for instance, Annex 7 to Appendix I to the GPA 2012, General Notes 1.1, 1.2, and 1.3 of Switzerland, WTO document WT/Let/1532, 21 February 2021. The reservations apply to, *inter alia*, Canada, the United States, Japan, the Republic of Korea, Israel, Singapore, and Australia.

3.165. Liechtenstein equally provides comprehensive entity coverage and extended its commitments to procurement by its Parliament and Courts[273], bodies of public law at the national level[274], and procurement by postal services acting under exclusive rights.[275] In Annex 5, Liechtenstein dropped the exclusion of certain telecommunication services. It maintains some country-specific derogations.[276]

3.166. Switzerland and Liechtenstein are also bound by the EFTA Convention, which reaffirms their rights and obligations as contained in the GPA 2012 and broadens the scope of their commitments among EFTA members.[277] EFTA member States undertake to encourage their covered entities to treat the suppliers and service providers of the other member States in accordance with the principles of transparency and non-discrimination as set out in paragraph 2 of Article 37 of the EFTA Convention.[278] EFTA has also concluded various FTAs with third countries containing chapters on government procurement. Several EFTA FTAs contain commitments on access to government procurement markets and build on the GPA or substantially replicate its structure and content.

3.167. The EEA Agreement establishes a single market in public procurement between Iceland, Liechtenstein, and Norway, and the European Union.[279] A bilateral agreement concluded on 21 June 1999 between the European Union and Switzerland on certain aspects of public procurement filled the gap between the scopes of the GPA and the relevant provisions under the EEA.[280]

3.3.6.1 Switzerland

3.168. Switzerland's international commitments on public procurement have been implemented both at the federal level (central administration) and at the sub-federal level (cantonal and municipal administration). At the federal level, Switzerland revised its Federal Law on Public Procurement and the implementing Federal Ordinance.[281] Both the revised Law and the revised Ordinance entered into force on 1 January 2021. Besides implementing the GPA 2012, the objective of the revisions was to achieve greater harmonization between the federal and cantonal laws governing government procurement.

3.169. At the sub-federal level, the majority of Swiss cantons still operate under the revised Intercantonal Agreement on Government Procurement from 2001, and its executive directives.[282] However, the cantons agreed on a revised version of the Intercantonal Agreement, which was adopted on 15 November 2019, to bring about as much harmonization with federal law as possible and to implement and ensure conformity with the GPA 2012 at cantonal level. The revised Intercantonal Agreement entered into force on 1 July 2021 following its ratification by the Cantons of Aargau and Appenzell Innerrhoden.[283] Ratifying procedures are currently underway in the majority of cantons. The Confederation-Cantons Commission on Government Procurement (CMCC) is responsible for coordinating the implementation of Switzerland's international commitments at the federal and sub-federal levels and for ensuring that they are implemented.[284]

3.170. The main changes introduced in the revised Federal Law on Public Procurement concern the increased emphasis on quality and sustainability aspects in public procurement, the definition of

[273] WTO document WT/Let/1433, Annex 1 to Appendix I to the GPA 2012 (central government entities).
[274] WTO document WT/Let/1433, Annex 2 to Appendix I to the GPA 2012 (subcentral government entities).
[275] WTO document WT/Let/1433 and WT/Let/948, Annex 3 to Appendix I to the GPA 2012 (other entities).
[276] See, for instance, Annex 3 to Appendix I to the GPA 2012, Notes 9 and 10.
[277] EFTA Convention, Article 37 and Annex R.
[278] EFTA Convention, Annex R, Article 7.
[279] Article 65(1) and Annex XVI to the EEA Agreement cover public procurement.
[280] For details, see Section 3.1.10 of WT/TPR/S/280/Rev.1, 16 August 2013.
[281] Federal Law of 21 June 2019 on Public Procurement; and Federal Ordinance of 12 February 2020 on Public Procurement.
[282] See "Accord intercantonal sur les marchés publics (AIMP)", 25 November 1994/15 March 2001. Viewed at: https://www.bpuk.ch/fr/dtap/concordats/aimp.
[283] "Message type: Révision de l'Accord Intercantonal sur les Marchés Publics (AIMP)". Viewed at: https://www.bpuk.ch/fr/dtap/concordats/aimp/aimp-2019.
[284] The CMCC is composed of an equal number of representatives from the Confederation and from the cantons. Public Procurement Commission for the Confederation and the Cantons. Viewed at: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/zugang_int_maerkte.htmlin.ch.

technical terms and the scope of application, the regulation of additional/subsequent procurement, the prevention of corruption, and the introduction of more flexible instruments such as dialogue, framework agreements, electronic procurement, electronic auctions, and shorter timelines. To ensure reasonable access to judicial review, the latter has been further expanded and is now available for complaints involving contract values of at least CHF 150,000 (for supplies and services) and CHF 2,000,000 for construction services.[285]

3.171. Federal or cantonal contracts above the thresholds defined in applicable international trade agreements and thus covered by those agreements may be awarded using open or selective tendering, and in some cases by direct award. Federal or cantonal contracts below international agreement thresholds may additionally be awarded using an invitation procedure. For statistical information on internationally awarded contracts, see Table 3.18.

3.172. Under the Federal Law on Public Procurement, contracts are awarded to the supplier having submitted the most advantageous offer, except for standardized supplies for which the lowest price offer may be selected. Under the Intercantonal Agreements of 2001 and 2019, contracts are awarded to the most economically advantageous tender.

3.173. The authority responsible for government procurement at the federal level is the Federal Office of Construction and Logistics, which forms part of the Federal Ministry of Finance. Complaints relating to government procurement procedures may be lodged with the Federal Administrative Court (in the case of federal government procurement) or an independent cantonal authority (in the case of cantonal government procurement).

3.174. Under Switzerland's Law on Public Procurement, compliance with equal pay for men and women is a prerequisite for participation in public procurement. Federal procurement offices can conduct equal pay audits themselves or enlist external help. Violations may lead to sanctions, such as a contractual penalty or exclusion from the procurement market. The aim of these regulations is to ensure social advancement and to avoid distortions of competition.[286]

Table 3.17 Government procurement in Switzerland, 2016-20

Year	Level	Total value of procurement (GPA-covered and non-covered)	GPA-covered procurement				
			Total value	Awarded under open and selective tendering		Awarded under limited tendering	
				Total value	Ratio	Total value	Ratio
2016	Federal level		SDR 2.48 billion	SDR 2.20 billion	89%	SDR 282 million	11%
	Cantonal level		SDR 1.91 billion	SDR 1.68 billion	88%	SDR 230 million	12%
	Other		-	-	-	-	-
	Total		[SDR 4.39 billion]	[SDR 3.88 billion]	[88%]	[SDR 512 million]	[12%]
2017	Federal level		SDR 2.01 billion	SDR 1.82 billion	90%	SDR 194 million	10%
	Cantonal level		SDR 2.61 billion	SDR 2.28 billion	87%	SDR 328 million	13%
	Other		-	-	-	-	-
	Total		[SDR 4.62 billion]	[SDR 4.10 billion]	[89%]	[SDR 522 million]	[11%]

[285] Fedlex, "Message concernant la révision totale de la loi fédérale sur les marchés publics". Viewed at: https://www.fedlex.admin.ch/eli/fga/2017/417/fr; and Federal Law of 21 June 2019 on Public Procurement, Article 52.
[286] Federal Office for Gender Equality, "Directive: Contrôles du respect de l'égalité salariale entre femmes et hommes dans les marchés publics de la Confédération". Viewed at: https://www.ebg.admin.ch/ebg/fr/home/themes/travail/egalite-salariale/controles-etatiques-dans-marches-publics.html.

<table>
<tr><th rowspan="3">Year</th><th rowspan="3">Level</th><th rowspan="3">Total value of procurement (GPA-covered and non-covered)</th><th colspan="5">GPA-covered procurement</th></tr>
<tr><th rowspan="2">Total value</th><th colspan="2">Awarded under open and selective tendering</th><th colspan="2">Awarded under limited tendering</th></tr>
<tr><th>Total value</th><th>Ratio</th><th>Total value</th><th>Ratio</th></tr>
<tr><td rowspan="4">2018</td><td>Federal level</td><td></td><td>SDR 3.24 billion</td><td>SDR 2.82 billion</td><td>87%</td><td>SDR 416 million</td><td>13%</td></tr>
<tr><td>Cantonal level</td><td></td><td>SDR 2.17 billion</td><td>SDR 1.87 billion</td><td>86%</td><td>SDR 300 million</td><td>14%</td></tr>
<tr><td>Other</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td></td><td>[SDR 5.41 million]</td><td>[SDR 4.69 billion]</td><td>[87%]</td><td>[SDR 716 million]</td><td>[13%]</td></tr>
<tr><td rowspan="4">2019</td><td>Federal level</td><td></td><td>CHF 7.38 billion (SDR 4.22 billion)</td><td>CHF 6.47 billion (SDR 3.70 billion)</td><td>88%</td><td>CHF 907 million (SDR 518 billion)</td><td>12%</td></tr>
<tr><td>Cantonal level</td><td></td><td>CHF 4.09 billion (SDR 2.33 billion)</td><td>CHF 3.59 billion (SDR 2.05 billion)</td><td>88%</td><td>CHF 500 million (SDR 286 million)</td><td>12%</td></tr>
<tr><td>Other</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td></td><td>[CHF 11.47 billion (SDR 6.55 billion)]</td><td>[CHF 10.06 billion (SDR 5.75 billion)]</td><td>[88%]</td><td>[CHF 1.41 billion (SDR 804 million)]</td><td>[12%]</td></tr>
<tr><td rowspan="4">2020</td><td>Federal level</td><td>CHF 7.16 billion</td><td>CHF 5.20 billion (SDR 2.97 billion)</td><td>CHF 4.16 billion (SDR 2.38 billion)</td><td>80%</td><td>CHF 1.04 billion (SDR 592 million)</td><td>20%</td></tr>
<tr><td>Cantonal level</td><td>CHF 5.46 billion</td><td>CHF 5.46 billion (SDR 3.12 billion)</td><td>CHF 4.84 billion (SDR 2.77 billion)</td><td>89%</td><td>CHF 619 million (SDR 354 million)</td><td>11%</td></tr>
<tr><td>Other</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td></td><td>[CHF 10.66 billion (SDR 6.09 billion)]</td><td>[CHF 9.00 billion (SDR 5.15 billion)]</td><td>[84%]</td><td>[CHF 1.66 billion (SDR 945 million)]</td><td>[16%]</td></tr>
</table>

Note: The terms "open tendering", "selective tendering", and "limited tendering" are used here as they have been defined in Article I:(h), (m), and (q) of the GPA 2012.

Source: Information provided by the Swiss authorities, including in their notifications on procurement statistics to the Committee on Government Procurement.

3.175. In 2020, total federal procurement payments for the purchase of goods and services amounted to CHF 7.16 billion. The estimated value of procurement at federal level awarded and covered by the GPA in 2020 is CHF 5.20 billion. Of this, contracts worth CHF 1.04 billion were awarded in direct award procedures.[287] The fact that exceptions were applied on grounds of protection of human health and for extreme urgency due to the COVID-19 pandemic explain to a large extent the increase in direct award contracts in 2020. The percentage of the procurement at federal level awarded and covered by the GPA is estimated at around 50% of the total value of all procurements at that level. At the cantonal level, procurement awarded and covered by the GPA amounted CHF 5.46 billion. Of this, contracts worth CHF 619 million were awarded in direct award procedures.[288]

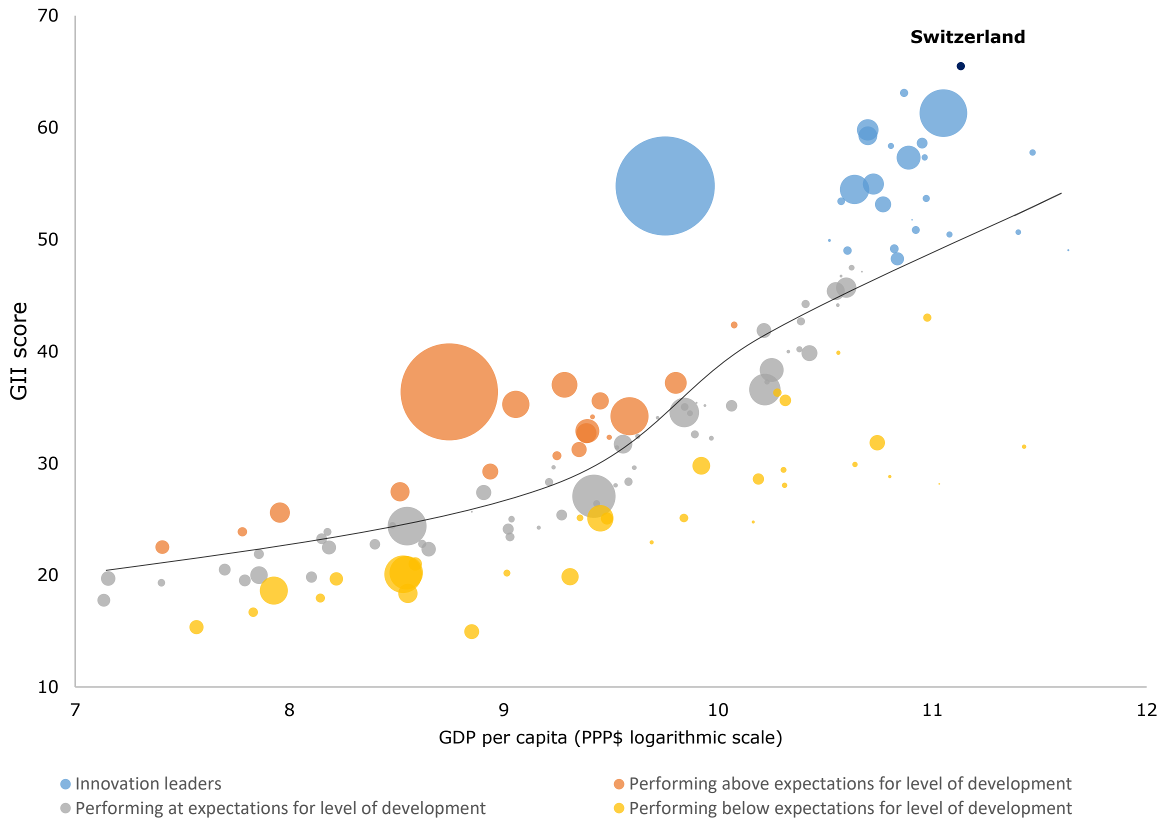
3.3.7 Intellectual property rights

3.3.7.1 Trade-related intellectual property rights

3.176. Switzerland ranks as the world's most-innovative economy among 132 economies featured in the 2021 Global Innovation Index elaborated by the World Intellectual Property Organization (WIPO).[289] Chart 3.4 illustrates the relation between innovation inputs and outputs, where economies above the line have effectively translated innovations into more and higher quality outputs. Switzerland is the economy with the highest position above the curve.

[287] WTO document GPA/STAT (20)/CHE/1, 28 July 2021.
[288] WTO document GPA/STAT (20)/CHE/1, 28 July 2021.
[289] WIPO (2021), *Global Innovation Index 2021*.

Chart 3.4 The positive relationship between innovation and development



Source: 2021 Global Innovation Index in November 2021.

3.177. Since the last Review in 2017, developments in IP have played an important role both in Switzerland's domestic legislative activity as well as in its international trade policy. Since 2017, the "Swissness legislation" strengthens the protection of the "Swiss Made" designation and the Swiss cross. It provides clear rules for the use of Swiss indications of source when used for marketing purposes, which in turn contributes to preventing wrongful use of the "Swiss Made" brand, ensuring its long-term value. In this context, besides the revision of the Federal Law on the Protection of Trademarks and Indications of Source[290] and of the Federal Law on the Protection of Coats of Arms and other Public Signs[291], several ordinances were adopted to extend this regulation to watches[292], food products[293], cosmetics[294], and non-agricultural products.[295] Similarly, on 1 April 2020, the Federal Law on Copyright and Related Rights was partially revised to adapt it to the latest technological developments and to make the fight against online piracy more effective.

3.178. In the international sphere, Switzerland has continued its strategy to strengthen and extend its network of bilateral FTAs, which contain comprehensive IP provisions, and has remained active in the TRIPS Council, particularly sharing its national experiences on the topic of IP and innovation.[296]

[290] Federal Law on the Protection of Trademarks and Indications of Source) (RS 232.11) (Status as of 1 January 2017).
[291] Federal Law on the Protection of Coats of Arms and Other Public Signs) (RS 232.21, RO 2015 3679) (Status as of 1 January 2017).
[292] Ordinance on the Use of the Designation "Swiss" for Watches) (RS 232.119) (Status as of 1 January 2017).
[293] Ordinance on the Use of Swiss Indications of Source for Food Products) (RS 232.112.1) (Status as of 1 January 2017).
[294] Ordinance on the Use of Swiss Indications of Source for Cosmetic Products) (RS 232.112.3) (Status as of 1 January 2017).
[295] Ordinance on the Registration of Appellations of Origin and Geographical Indications for Non-Agricultural Products (Ordinance on Non-Agricultural PAOs and PGIs)) (RS 232.112.2) (Status as of 1 January 2017).
[296] See, for example, WTO documents IP/C/M/87, IP/C/M/87/Add.1 in 2017; IP/C/M/90, IP/C/M/90/Add.1 in 2018; IP/C/M/94, IP/C/M/94/Add.1 in 2020; and IP/C/M/100, IP/C/M/100/Add.1 in 2021.

In 2021, Switzerland joined the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications (Geneva Act) that entered into force with respect to Switzerland on 1 December 2021. The accession required, in particular, changes in the Federal Act and in the Ordinance on the Protection of Trademarks and Indications of Source. Likewise, the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty) and the Beijing Treaty on Audiovisual Performances (Beijing Treaty) entered into force with respect to Switzerland on 11 May 2020.

3.179. As a result of the customs union, Liechtenstein's IP system is deeply integrated and intertwined with the Swiss IP system and maintains highly developed IP institutions and policies reflecting its status as an advanced – albeit small – economy. On 22 September 2021, Liechtenstein accessed both the Marrakesh Treaty and the Beijing Treaty that entered into force on 22 December 2021.

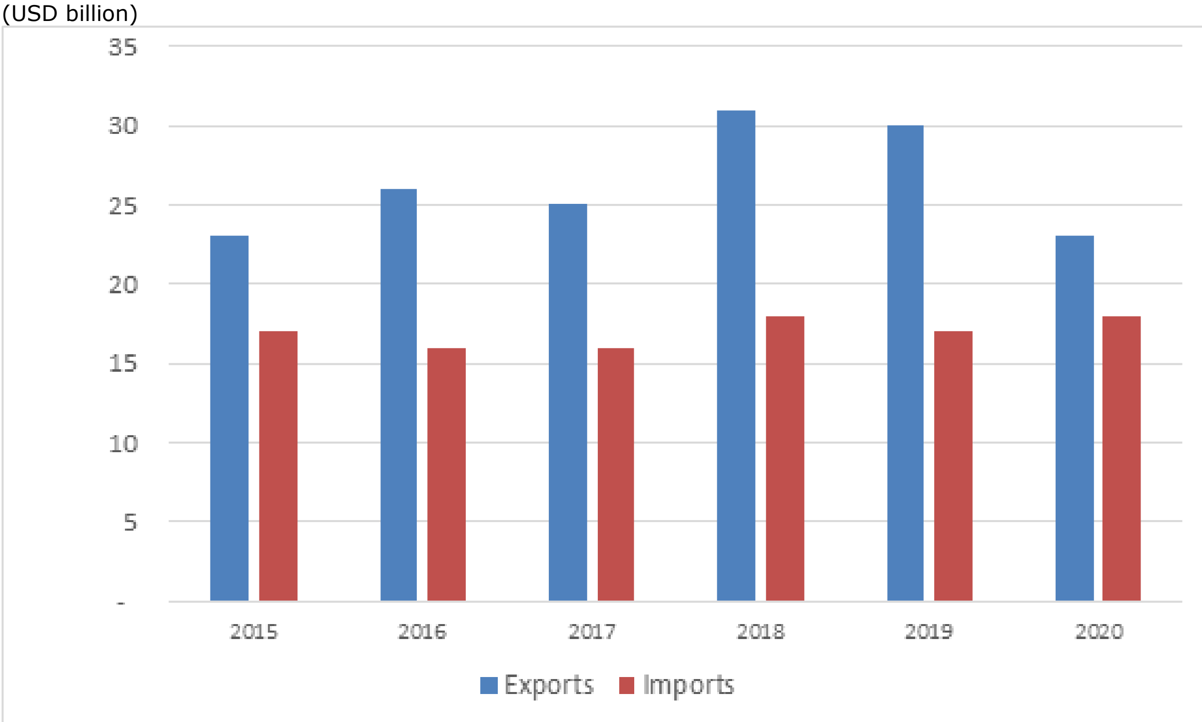
3.3.7.2 Economic context

3.180. Given the diverse forms that IP takes in international trade, including IP embedded in manufactured goods, IP royalties recorded as services trade, and consumer downloads of IP content, it is difficult to establish a comprehensive tally of the full IP component of Swiss trade.

3.181. Intellectual property rights (IPRs) are a strong component of the Swiss economy. Switzerland is a net exporter of IP. Trade receipts from IP royalties and licensing fees grew by 35% between 2015 and 2018, when they reached almost USD 31 billion. In 2019, they reached USD 29 billion and, due to the economic effects of the pandemic, in 2020 Switzerland exported USD 23 billion, sustaining its positive balance, as shown on Chart 3.5.

Chart 3.5 Charges for the use of intellectual property, n.i.e, 2015-20

(USD billion)



Source: WTO Stats. Viewed at: https://stats.wto.org/.

3.182. Rankings of the Swiss economy in the global indices of innovation and competitiveness over the reporting period have confirmed its status as a global leader in these areas. Switzerland has retained its overall 1st place ranking in both the Global Competitiveness Index in the years 2013-18 and the Global Innovation Index in the years 2011-21.[297] Switzerland has remained in the top three

[297] World Economic Forum (2017) and Global Innovation Index (2021).

of the innovation raking for more than a decade, delivering peak innovation performance[298] in Europe in the areas of knowledge and technology outputs and creative outputs, while also leading the top three innovation economies of the 51 high-income group economies. Furthermore, according to a recent report by UNCTAD[299], Switzerland is one of the economies best prepared to face the new digital frontiers as the country already takes advantage of digitalization and connectivity to develop frontier technologies, ranging from artificial intelligence, the Internet of Things, blockchain, nanotechnology, and gene editing.

3.183. Swiss gross expenditure on R&D remained stable at around 3% of GDP, during the reporting period.[300] In 2019, Switzerland spent CHF 22.9 billion on R&D, which constitutes an increase of 4.3% compared with 2017.[301] R&D activities were mainly carried out by private enterprises (68%) and higher education institutions (29%).

3.184. In 2019, Swiss citizens voted in favour of the Federal Act on Tax Reform and AHV Financing[302], which introduced as from 1 January 2020 the cantonal "patent box" regime, which provides tax reductions for qualifying IP income and associated local R&D costs. The goal is to maintain and enhance the attractiveness of Switzerland as a hub for R&D-intensive industries. However, in 2016 Liechtenstein eliminated the IP box regime foreseen in its fiscal code[303], which applied only to companies that carried out R&D work primarily in Liechtenstein as it was considered that the previous regulation was incompatible with Action 5 harmful tax practices included in the Base Erosion and Profit Shifting (BEPS) of the OECD.[304]

3.3.7.3 Structure and use of the IP system

3.185. The competent authorities for IP issues in Switzerland and Liechtenstein are, respectively, the Swiss Federal Institute of Intellectual Property (FIIP) of the Federal Department (Ministry) of Justice and Police[305], and the Bureau of Intellectual Property of the Liechtenstein Office (Ministry) of Economic Affairs.[306] 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: valid patents extend to both territories.[307] 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*, copyrights, trademarks, industrial designs, and topographies of integrated circuits. In addition, Liechtenstein implements the rules of the EEA on IP.

3.186. Switzerland and Liechtenstein are members of WIPO and are parties to most of its treaties[308], notably the Patent Cooperation Treaty and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, as well as to other international conventions of relevance to IP.[309]

3.187. The number of patent applications, patents granted, and trademark and industrial design applications between 2016 and 2020 in Switzerland and Liechtenstein are shown in Tables 3.19 and 3.20. Overall levels of filings in Switzerland have remained stable or increased slightly since 2016,

[298] Global Innovation Index (2021), pp. 21-22.
[299] UNCTAD (2021), *Technology and Innovation Report. Catching Technologies Waves: Innovation with Equity*, p. 10.
[300] Federal Statistical Office (FSO) (2021), *Recherche et développement en Suisse en 2019*, p. 5.
[301] FSO (2021), "CHF 22.9 Billion Spent on Research and Development in Switzerland in 2019", 27 May.
[302] FF 2018 6077, Loi fédérale relative à la réforme fiscale et au financement de l'AVS (RFFA) du 28 septembre 2018.
[303] *Liechtensteinisches Landesgesetzblatt* (LLG) (2016), No. 524, Law of 4 November 2016 on the Amendment of the Tax Act. Viewed at: https://www.gesetze.li/chrono/2016524000.
[304] See government explanation of the proposed bill in Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Abänderung des Steuergesetzes (No. 91/2016), pp 37-40.
[305] IPI. Viewed at: www.ipi.ch.
[306] Principality of Liechtenstein. Viewed at: www.avw.llv.li.
[307] IPI. Viewed at: https://www.ige.ch/de/uebersicht-geistiges-eigentum/ein-leitfaden-fuer-innovative-und-kreative/patente; and Principality of Liechtenstein. Viewed at: http://www.llv.li/#/1691/patentrecht.
[308] WIPO, *About WIPO*. Viewed at: https://www.wipo.int/about-wipo/en/.
[309] For a detailed list of IP-related treaty membership, see 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.

with patent grants growing the most, while filings abroad by Swiss residents have increased significantly, notably in the area of trademarks.

Table 3.18 Switzerland: Applications for trademarks, industrial designs, and patents, and patents granted, 2016-20

	2016	2017	2018	2019	2020
Trademark applications					
Resident	36,761	42,010	41,468	40,712	45,031
Non-resident	52,692	52,490	54,566	55,614	56,090
Total	89,453	94,500	96,034	96,326	101,121
Abroad	449,919	446,173	458,006	489,114	451,681
Industrial design applications					
Resident	3,817	4,301	3,458	3,334	2,915
Non-resident	7,920	8,773	8,239	9,284	7,245
Total	11,737	13,074	11,697	12,618	10,160
Abroad	141,847	154,973	150,895	145,363	140,140
Patent applications					
Resident	8,729	8,622	9,204	9,617	9,492
Non-resident	309	291	332	348	301
Total	9,038	8,913	9,536	9,965	9,793
Abroad	38,491	35,961	37,550	36,530	35,257
Patents granted					
Resident	4,327	4,473	4,872	5,199	5,444
Non-resident	201	230	194	179	198
Total	4,528	4,703	5,066	5,378	5,642
Abroad	21,630	21,688	21,237	22,144	22,672

Source: WIPO, *Statistical Country Profiles: Switzerland*, November 2021. Viewed at: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CH.

3.188. For Liechtenstein, the data illustrate an increase of filings by residents, particularly in the area of trademarks and patent grants (8% and 19%, respectively), while overall usage of the IP system remains stable at a level corresponding to the size of its market.

Table 3.19 Liechtenstein: Applications for trademarks, industrial designs, and patents, and patents granted, 2016-20

	2016	2017	2018	2019	2020
Trademark applications					
Resident	490	388	527	421	365
Non-resident	8,269	8,476	7,940	8,654	8,340
Total	8,759	8,864	8,467	9,075	8,705
Abroad	11,571	18,708	11,446	13,446	17,101
Industrial design applications					
Resident	152	46	261	120	62
Non-resident	1,078	1,327	716	872	809
Total	1,230	1,373	977	992	871
Abroad	4,191	6,219	4,523	8,884	2,908
Patent applications					
Resident	377	380	431	437	437
Non-resident	..	..	..	..	..
Total	377	380	431	437	437
Abroad	955	847	922	1,012	979
Patents granted					
Resident	140	167	204	232	199
Non-resident	..	..	..	..	..
Total	140	167	204	232	199
Abroad	438	529	466	520	505

.. Not available.

Source: WIPO, *Statistical Country Profiles: Liechtenstein*, November 2021.

3.3.7.4 International initiatives and WTO participation

3.189. While multilateral initiatives and organizations in the field of trade and IP remain the preferred fora of activity for Switzerland, Swiss foreign trade strategy resolved in 2004 to also pursue the extension and strengthening of its network of comprehensive bilateral FTAs in the absence of multilateral progress, with the express inclusion of IP protection. The Federal Council confirmed this approach most recently in 2016, acknowledging that while the importance of FTAs for IP protection or government procurement escapes a quantitative measurement, a qualitative assessment permits the conclusion that FTAs improve the regulatory framework also in these areas, "providing Swiss market actors with an improved, predictable and legally protected access to foreign markets".[310] The Swiss Federal Council was further expressly mandated in a 2012 "motion"[311] to include adequate and effective protection of geographical indications (GIs) in all future bilateral FTAs. In the period under review, this strategy was pursued in agreements that Switzerland and Liechtenstein signed as members of EFTA, as well as in Swiss bilateral FTAs or bilateral accords specifically addressing the protection of GIs.

3.190. In the context of EFTA, Switzerland and Liechtenstein concluded FTAs or trade and economic cooperation agreements with third countries with IP components that range from a general reference to IP protection to highly detailed provisions on certain IP sectors.[312] During the period under review, EFTA agreements with IP provisions were concluded with Indonesia[313] and Ecuador[314], which entered into force on 1 November 2020[315] and 1 November 2021[316], respectively. The provisions on IPRs in these agreements cover protection and enforcement, as well as cooperation among the Parties in that regard. They are based on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and provide for a high level of protection, considering the principles of MFN treatment and of national treatment.[317] The agreement EFTA countries signed in 2016 with the Philippines and Georgia containing a chapter on the protection of IP also entered into force on 1 June 2018 and 1 September 2017, respectively. On the other hand, on 23 August 2019[318], member States of EFTA and of MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) concluded in substance the negotiations on a comprehensive FTA that included a chapter on IPRs covering copyrights, trademarks, patents, industrial designs, GIs, indications of source, cooperation, and enforcement of IPR, including border measures.

3.191. In response to the specific mandate to improve the protection of GIs in the context of bilateral agreements, Switzerland concluded an Agreement with Georgia regarding the mutual recognition and protection of GIs, appellations of origin, and indications of source that entered into force on 1 September 2019.[319] Similar to the previous such treaties concluded with the Russian Federation in 2010[320] and with Jamaica in 2013[321], the Agreement lists indications from both countries that the parties agree to protect, and specifies a high level of protection against any use of these GIs on identical or comparable products that do not originate from the region indicated by the GI.

3.192. Switzerland also maintains one of the largest networks of bilateral investment promotion and protection agreements (BITs) (Section 2.4.1), which also cover IPRs as part of investment protection in the majority of cases. The purpose of the BITs is "to afford international law protection

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[310] Federal Council (2016), *Report Neue Wachstumspolitik 2016-2019*, 22 June, p. 25.

[311] Motion 12.3642 dated 19 June 2012 of the Council of States' Legal Affairs Committee "Regulating the use of geographical indications in international Treaties".

[312] For a list of FTAs containing an IP element and in force within the EFTA framework, see: http://www.efta.int/free-trade/free-trade-agreements. For specific references to the IP components, see the list at: https://www.ige.ch/de/recht-und-politik/immaterialgueterrecht-international/bilaterale-abkommen.

[313] Signed 16 December 2018.

[314] Signed 25 June 2018.

[315] For a complete overview of treaties signed by Switzerland that included investment provisions, see: https://investmentpolicy.unctad.org/international-investment-agreements/countries/203/switzerland.

[316] EFTA, "EFTA-Indonesia Comprehensive Economic Partnership Agreement Enters into Force", 1 November. Viewed at: https://www.efta.int/Free-Trade/news/EFTA-Indonesia-Comprehensive-Economic-Partnership-Agreement-enters-force-526266#:~:text=A%20new%20free%20trade%20agreement,Indonesia%20on%2016%20December%202018.

[317] See description of the individual agreements at: http://www.efta.int/free-trade/free-trade-agreements.

[318] EFTA, *MERCOSUR*. Viewed at: https://www.efta.int/free-trade/ongoing-negotiations-talks/mercosur.

[319] Agreement between the Swiss Federal Council and the Government of Georgia on the mutual recognition and protection of geographical indications, appellations of origin and indications of source (RS 0.232.111.193.60) (in French).

[320] Agreement of 29 April 2010 between the Swiss Confederation and the Russian Federation on the Protection of Geographical Indications and Appellations of Origin (RS 0.232.111.196.65) (in French).

[321] Agreement between the Swiss Federal Council and the Government of Jamaica on the Protection and Reciprocal Recognition of Geographical Indications concluded 23 September 2013 (RS 0.232.111.194.58).

from non-commercial risks associated with investments made by Swiss nationals and Swiss-based companies in partner countries".[322] Since 2010, a clarification has been developed in these agreements that states that the article on expropriation and compensation does not apply to the issuance of compulsory licences that have been granted in relation to IP consistently with the TRIPS Agreement.[323]

3.193. During the review period, Switzerland actively participated in the TRIPS Council discussions on, *inter alia*, supporting micro, small and medium-sized enterprises (MSMEs) to take advantage of IPRs for their business activity,[324] and co-sponsored several initiatives such as the promotion of public-private collaborations in IP innovation and commercialization[325] and the societal value of IP in the new economy.[326]

3.194. In compliance with Article 63.2, Switzerland notified consolidated versions of amended and new laws or regulations to the TRIPS Council in 2022[327] and updated its responses to the Checklists of Questions on GIs in February 2019[328] and of Issues on Enforcement in March 2022.[329] Switzerland has also updated the Council on its implementation of Article 66.2 of the TRIPS Agreement[330], and reported on its TRIPS-related technical assistance[331], which included free-of-charge patent searches for WIPO in favour of developing countries, as well as a number of sustained bilateral projects, notably with Colombia and Indonesia.

3.3.7.5 Copyright and related rights

3.195. Issues linked to the Internet and new technologies affecting copyright have occupied the Swiss legislative process. A 2010 Swiss Supreme Court decision[332] suggesting legislative action to "adapt copyright protection to new technologies" as well as various related parliamentary motions[333] led to the establishment of the "Working Group for the Optimization of Collective Management of Copyrights and Neighbouring Rights (AGUR12)"[334] to assess the need for revising the copyright legislation in response to the digital environment, with a particular focus on the need to curb online

[322] SECO, *Switzerland's Investment Treaty Policy*.

[323] The Swiss State Secretariat's Working Group on BITs has now introduced a standard BIT clause to that effect. Report of the Swiss State Secretariat's Working Group on BITs, 7 March 2016, Section 3.1.2, p. 6, fn 195.

[324] See Switzerland's intervention in the TRIPS Council on 15 October 2020 (WTO documents IP/C/M/96, 14 December 2020; and IP/C/M/96/Add.1,16 February 2021).

[325] See Switzerland's intervention in the TRIPS Council on 17 October 2019 (WTO documents IP/C/M/93, 18 November 2019; and IP/C/M/93/Add.1, 9 December 2019).

[326] See Switzerland's intervention in the TRIPS Council on 13 February 2019 (WTO documents IP/C/M/91, 21 February 2019; and IP/C/M/91/Add.1, 2 April 2019).

[327] WTO documents IP/N/1/CHE/44, IP/N/1/CHE/I/3; IP/N/1/CHE/45, IP/N/1/CHE/G/42; IP/N/1/CHE/43, IP/N/1/CHE/G/41, IP/N/1/CHE/T/15; IP/N/1/CHE/42, IP/N/1/CHE/G/40, IP/N/1/CHE/T/14; and IP/N/1/CHE/41, IP/N/1/CHE/G/39, 1 March 2022; IP/N/1/CHE/39, IP/N/1/CHE/C/11; IP/N/1/CHE/40, IP/N/1/CHE/G/38; IP/N/1/CHE/38, IP/N/1/CHE/D/12; IP/N/1/CHE/36, IP/N/1/CHE/P/24; and IP/N/1/CHE/37, IP/N/1/CHE/G/37, 28 February 2022; IP/N/1/CHE/29, IP/N/1/CHE/C/10; IP/N/1/CHE/33, IP/N/1/CHE/T/13, IP/N/1/CHE/G/36; IP/N/1/CHE/28, IP/N/1/CHE/D/11, IP/N/1/CHE/T/12; IP/N/1/CHE/26, IP/N/1/CHE/T/10; IP/N/1/CHE/27, IP/N/1/CHE/T/11; IP/N/1/CHE/30, IP/N/1/CHE/G/35; IP/N/1/CHE/35, IP/N/1/CHE/P/23; IP/N/1/CHE/32, IP/N/1/CHE/P/22; IP/N/1/CHE/31, IP/N/1/CHE/E/6, IP/N/1/CHE/P/21; and IP/N/1/CHE/34, IP/N/1/CHE/U/9, 25 February 2022.

[328] WTO document IP/C/W/117/Add.13/Rev.1/Corr.1, 11 February 2019.

[329] WTO document IP/N/6/CHE/3, 4 March 2022.

[330] WTO documents IP/C/W/631/Add.6 in 2017; IP/C/W/646/Add.1 in 2018; IP/C/W/656 in 2019; IP/C/R/TTI/CHE/1 in 2020; and IP/C/R/TTI/CHE/2 in 2021.

[331] WTO documents IP/C/W/632/Add.5 in 2017; IP/C/W/647/Add.1 in 2018; IP/C/W/655 in 2019; IP/C/R/TC/CHE/1 in 2020; and IP/C/R/TC/CHE/2 in 2021.

[332] Federal Supreme Court decision BGE 136 II 508 "Logistep" of 2010, suggesting that it was the task of the legislator to take the necessary measures to provide copyright protection adapted to the new technologies.

[333] Postulat Savary (10.3263) of 12 May 2010 on "Does Switzerland need a law against illegal music downloading?"; Postulat Recordon (12.3326) of 9 May 2012 for "A copyright protection that is equitable and compatible with Internet users' freedom"; Postulat Glättli (12.3173) of 16 May 2012 for "Fair compensation of artists while respecting the private sphere of Internet users".

[334] Working Group "AGUR12" established by the Federal Department of Justice and Police on 8 August 2012.

piracy, provide fair compensation for artists and copyright owners, and improve public access to works.

3.196. After seven years of legislative work, the Federal Assembly adopted on 27 September 2019 a revision of the Swiss copyright law. The revised Copyright Act strengthens the rights of cultural creators and the cultural economy. In addition to measures against online piracy, it extends the term of protection for performers and producers from 50 to 70 years and also brings important innovations for photographers, namely the protection of all photographs, both analogue and digital, whether they are professional or amateur photographs. The criterion of individuality is no longer a prerequisite for copyright protection for photographs. The extension of the protection of photographs is one of the most important changes in the revised law. The revised Copyright Act facilitates access to works, for example, through an index privilege, a regulation on the use of orphan works, and an exception for scientific purposes in relation to the use of text and data mining technologies. Along with the revision, the Federal Assembly also approved two WIPO agreements: the Beijing Treaty on Audiovisual Performances and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled. The revised Copyright Act entered into force on 1 April 2020.

3.197. Copyright protection in Liechtenstein is provided by the Law of 19 May 1999 on copyright and related rights and its related ordinance. During the review period, Liechtenstein implemented two EU Directives in the area of copyright. In implementing EU Directive 2011/77[335], which aims to better protect young performing artists, Liechtenstein increased the term of protection for music compositions with text, and the term of performers' rights with regard to a recorded performance from 50 to 70 years.[336] The rights of phonogram producers were equally extended from 50 to 70 years, coupled with provisions to ensure that the performing artists will participate in the benefits generated from this additional period of exploitation regardless of prior contractual arrangements.[337] In implementing EU Directive 2012/28 ("Orphan Works Directive") Liechtenstein introduced provisions permitting legal online access to orphan works available in online libraries and archives where the inability to identify the authors has been established in one EEA State and the work has been listed in the Orphan Works Database[338] of the EUIPO Observatory.[339] These amendments entered into force on 1 September 2014 and 1 October 2015, respectively. Liechtenstein recognizes the collective exploitation of authors' rights and neighbouring rights as well as the resale right. International exhaustion is applied for copyrights and neighbouring rights.

3.3.7.6 Trademarks

3.198. During the reporting period, Switzerland continued with the implementation of the new trademark legislation aiming to improve the protection of the "Swiss brand" by regulating in more detail the use of the indication of source "Swiss", of the Swiss cross, and of the Swiss coat of arms on goods and services, which entered into force on 1 January 2017.[340] The new legislation provides detailed rules on "Swissness" for natural products, foodstuffs, and industrial products, as well as services. With the revision of the Federal Act on the Protection of the Swiss Coats of Arms and Other Public Signs, the Swiss cross may now be used on Swiss goods and services, making it an important advertising tool for producers.[341] The Swiss coat of arms remains reserved for use by the Swiss Confederation, although companies that have been using the Swiss coat of arms for decades as part of their company symbol to label Swiss goods and services have been granted, as an exception and only upon well-founded request, a right of continued use. Individual production steps can be

[335] EU Directive 2011/77 (amending Directive 2006/116/EC on the term of protection of copyright and certain related rights).

[336] The term of protection is calculated to begin, in the case of the music compositions with text, after the death of the longest surviving author, and in the case of performers' right, after the first publication or communication to the public of the recording.

[337] See government explanation of the proposed bill in "Berichte und Anträge der Regierung an den Landtag" 23/2014 and 88/2014, respectively. Viewed at: http://bua.gmg.biz/BuA/default.aspx?nr=23&year=2014&content=496979026.

[338] EUIPO, Orphan Works Database. Viewed at: https://euipo.europa.eu/orphanworks/.

[339] See government explanation of the proposed bill in "Berichte und Anträge der Regierung an den Landtag" 23/2014 and 88/2014. Viewed at: http://bua.gmg.biz/BuA/default.aspx?nr=88&year=2014&content=1314132476.

[340] For a more detailed explanation, see Swiss Federal Institute of Intellectual Property (2015), "The New 'Swissness' Legislation – The Most Important Changes", 2 September.

[341] Coat of Arms Protection Law (RS 232.21), revision entering into force 1 January 2017. Formerly, use of the Swiss cross was only permitted for Swiss services.

promoted as "Swiss" if that step is completely performed in Switzerland (e.g. "designed in Switzerland"), although the Swiss cross may not be used for such products.

3.199. As regards services, under the 2017 "Swissness legislation" a company can offer Swiss services as long as its headquarters are located in Switzerland and the company is actually administered from Switzerland. Exceptions apply with respect to subsidiaries of Swiss parent companies.[342]

3.200. In Liechtenstein, the substantive law applicable to the protection of trademarks and GIs is based on the corresponding Swiss regulations, and the legal prerequisites for protection are, therefore, comparable. To be protected, a trademark must be registered with the Liechtenstein registry at the Office of Economic Affairs. Liechtenstein follows the principle of international exhaustion. Since the last Review, Liechtenstein amended its Trademark Protection Act,[343] to harmonize provisions with prior Swiss extensions of the IP enforcement competences of its customs administration, which also handles Liechtenstein's customs matters under the customs union.[344] The amendment also changed a requirement for foreign applicants to appoint an agent or representative resident in Liechtenstein, which the EFTA Surveillance Agency (ESA) had found to be incompatible with EEA rules.[345] These amendments entered into force on 1 January 2016.

3.201. Since Liechtenstein's food and agricultural products qualify as "Swiss" under the definition of the Swiss Trademark Law by virtue of being produced in the custom union territory[346], Liechtenstein has introduced amendments to its trademark provisions that largely mirror the "Swissness legislation" and entered into force concurrently on 1 January 2017.[347]

3.3.7.7 Geographical indications

3.202. The introduction of the "Swissness legislation" described above further develops the traditional two-pronged system of protection for GIs in Switzerland[348], which consists of general protection of GIs under the Trademark Law for all products and services, not requiring registration, and the protection of GIs for wines and spirits, agricultural products, and foodstuffs under several specialized laws and ordinances.

3.203. In addition to the creation of the geographical mark, the "Swissness legislation" also introduces a new register for GIs for non-agricultural products, similar to the existing register for agricultural products and processed agricultural products maintained by the FOAG, which will permit the registration of GIs for goods such as watches and textiles.[349] The new register will be maintained by the FIIP.

3.204. The Federal Council, on 17 June 2016, also approved a partial revision of the Ordinance on the Use of the Name "Swiss" for Watches[350], which entered into force on 1 January 2017, and which aims to strengthen the GI "Swiss" for watches and watch movements, in line with the new "Swissness" legislation. In future, at least 60% of the costs of manufacturing a complete watch (as an end product) must be generated in Switzerland – unlike previously, whereby this rule applied only to the watch movement itself. The movement remains important, however, as at least half of its value must consist of components made in Switzerland, and at least 60% of the costs to manufacture it must be generated in Switzerland. In addition, the technical development of a "Swiss

[342] Trademark Protection Law (RS 232.11), Article 49.
[343] Trademark Protection Act (LR 232.11).
[344] See government explanation of the proposed bill in "Berichte und Anträge der Regierung an den Landtag" Heft 2015/48, p. 6. Viewed at: http://bua.gmg.biz/BuA/default.aspx?year=2015&nr=48&content=1231677879.
[345] A further complaint regarding the new version of Article 39 of the Trademark Protection Act has been launched and is pending with ESA. See ESA Document No. 799735 "Letter of formal notice to Liechtenstein regarding the 2016 Trademark Act" dated 12 October 2016 for the procedural history of the complaints.
[346] "The place of origin or processing for Swiss indications of source for natural products and foodstuffs is the Swiss territory and customs union areas." Trademark Protection Law (RS 232.11), Article 48(4).
[347] See government explanation of the proposed bill in "Berichte und Anträge der Regierung an den Landtag" Heft 2015/48, p. 6. Viewed at: http://bua.gmg.biz/BuA/default.aspx?nr=115&year=2016&content=1742765016.
[348] WTO documents WT/TPR/S/280 19 March 2013; and WT/TPR/S/355, 11 April 2017.
[349] Trademark Protection Law (RS 232.11), Article 50a.
[350] Ordinance on the Use of the Designation "Swiss" for Watches (RS 232.119).

Made" watch and a "Swiss Made" movement must, in future, also take place in Switzerland. The definition of "watch" in the "Swiss Made" Ordinance has also been extended to include smart watches in light of recent technological developments.

3.205. On the other hand, in 2021 Switzerland joined the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications (Geneva Act) that entered into force with respect to Switzerland on 1 December 2021.

3.206. Several FTAs with individual countries and groups of countries contain provisions on GIs.[351] With respect to GIs, most of the recent bilateral agreements signed by Switzerland and Liechtenstein in the context of EFTA provide GIs for agricultural products and foodstuffs with a higher level of protection than that required by the TRIPS Agreement, by requiring means to prevent their use on goods that are not originating in the place indicated by the designation in question, without the requirement of confusion as regards the geographical origin of the good. The bilateral agreement concluded between Switzerland and China follows the same pattern.

3.207. With respect to Liechtenstein, information provided in the previous Reviews remains relevant.[352]

3.3.7.8 Patents

3.208. The Federal Law on Patents of 1954 and its Ordinance governing patent protection in Switzerland and Liechtenstein remained substantially unchanged during the reporting period.[353] The Swiss patent examination procedure is currently being reviewed following the motion adopted on 21 March 2019 by the Federal Assembly titled "in favour of a modern Swiss patent". The Federal Council opened the consultation procedure on the partial revision of the Patents Act on 14 October 2020. According to the Swiss law, the novelty of an invention is not examined by the FIIP; it is therefore up to the patent applicant to ensure that the criteria are met. Under the proposed revision[354], the IPI will in future examine applications for all patentability requirements. The applicant could eventually contest the decision of the FIIP before the Federal Administrative Court. This is in line with international standards and leads to increased clarity and legal certainty for patent owners and third parties. As a result, it will be more difficult to challenge Swiss patents and they will be enforced more easily.[355] At its meeting on 18 August 2021, the Federal Council took note of the results of the consultation procedure on the partial revision of the patent law and decided to adapt the content of the preliminary draft to the criticisms expressed by the participants of the consultation procedures. It is expected that the Federal Department of Justice and Police will submit a proposal to the Federal Council by the end of 2022.[356]

3.209. Since 2012, the Swiss Federal Patent Court (FPC) has replaced the 26 cantonal courts as the national special court competent for patent litigation at first instance.[357] In the over 243 cases[358] since its establishment, the Court, which permits proceedings and pre-trial procedural acts in English, has developed jurisprudence on, *inter alia*, its substantive jurisdiction on patents and procedural questions such as interim relief, as well the safeguarding of manufacturing and trade

[351] See Section 3.3.8.4 for an overview of bilateral agreements concluded or entered into force during the reporting period.
[352] WTO documents WT/TPR/S/355/Rev.1, 22 September 2017; WT/TPR/S/280/Rev.1, 16 August 2013; and WT/TPR/S/208/Rev.1, 12 March 2009.
[353] Part of the ongoing revision of the Swiss Federal Law on Medicinal Products and Medical Devices is the introduction of the possibility to extend the term of protection for supplementary protection certificates for paediatric medicines by six months, which has not yet entered into force. Minor changes have also occurred with respect to submissions of electronic documents and the consequential amendments following changes in the customs regulations. See the latest version of the Federal Law on Patents RS 232.14 at: https://www.admin.ch/opc/fr/classified-compilation/19540108/index.html.
[354] Swiss Confederation, *Modification de la loi fédérale sur les brevets d'invention*. Viewed at: https://www.newsd.admin.ch/newsd/message/attachments/63221.pdf.
[355] Federal Council (2020), "A More Attractive Swiss Patent System for SMEs and Individual Inventors", 14 October. Viewed at: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-80700.html.
[356] Federal Council (2021), "Modernising the Patent Examination Procedure", 18 August.
[357] RS 173.41.
[358] See annual reports of the Federal Patent Court since 2011.

secrets in the submission of evidence and the use of expert opinions by technically trained judges.[359] The panel of judges at the FPC is composed of at least one judge with a legal background and one judge with a technical background. The court has reported a high rate of settlements of over 50% of cases.[360]

3.210. According to the European Patent Office's (EPO) Patent Index,[361] Switzerland received 8,112 European patent applications in 2020. This means that it has the largest number of applications per million inhabitants (966 applications in 2020 and 988 applications in 2019). However, as a result of the COVID-19 crisis, the number of patent applications received by EPO in 2020 from Switzerland has fallen by 1.9%, which is the first decline in patent applications since 2009. The share difference (in percentage) of European patent applications by technology fields between 2019 and 2020 are: other consumer goods (16.0%), measurement (-14.4%), medical technology (-13.1%), electrical machinery apparatus, energy (4.7%), biotechnology (14.3%), pharmaceuticals (2.4%), organic fine chemistry (2.4%), handling (-15.4%), food chemistry (13.7%), basic materials chemistry (-1.3%), other special machines (-2.7%), civil engineering (1.5%), transport (24.5%), furniture and games (14.6%), and chemical engineering (-24.5%).

3.3.7.9 Plant varieties

3.211. The information provided in the previous Review on the protection of plant varieties in Switzerland remains valid. In preparation for prospective membership in the International Union for the Protection of New Varieties of Plants (UPOV), Liechtenstein is still in the process of establishing a system for the protection of plant varieties to comply with the requirements of the Act of the UPOV Convention (1991).

3.3.7.10 Enforcement

3.212. The knowledge-based and innovative character of the Swiss economy and its high degree of integration within the global economy make Swiss industry potentially vulnerable to the threat of counterfeiting and piracy.[362]

3.213. The laws of Switzerland and Liechtenstein provide for criminal enforcement and border measures concerning IPRs at an advanced level. The intentional infringement of copyright, patents, trademarks, and GIs is a criminal offence under the laws of Liechtenstein[363] and Switzerland.[364]

3.214. On average, the Swiss FPC rendered its decision in cases of patent infringement between 12 and 24 months. Since the substantial improvements introduced in 2008, the Swiss Customs Administration, covering both territories, provides *ex officio* and on-demand border measures in case of a suspected import, export, or transit of goods infringing not only copyright and trademarks, but also patents, designs, GIs, and topographies of integrated circuits.[365] Trademark and design right holders have the option to prohibit the import, export, and transiting of commercially produced infringing objects for private use and to have those goods withheld by Customs; however, private persons in Switzerland who are in possession of unlawfully manufactured goods can still not be legally prosecuted.[366]

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[359] Fehlbaum, P. (2014), "Case Law of the New Federal Patent Court in Switzerland", *GRUR International*, June, pp. 533-545.

[360] See annual reports of the Federal Patent Court since 2011.

[361] European Patent Office, Patent Index 2020. Viewed at: https://www.epo.org/about-us/annual-reports-statistics/statistics.html.

[362] OECD (2021), *Counterfeiting, Piracy and the Swiss Economy*. Viewed at: https://www.oecd.org/switzerland/counterfeiting-piracy-and-the-swiss-economy-1f010fc9-en.htm.

[363] Copyright Act (LR 231.1), Article 61; and Trademark Protection Act (LR 232.11), Article 59 *et seq.* and Article 62 *et seq*.

[364] Copyright Law (RS 231.1), Article 67; Patent Law (RS 232.14), Article 66 *et seq.*; and Trademark Protection Law (RS 232.11), Articles 61 and 64.

[365] Trademark Protection Law (RS 232.11), Articles 70 to 72h; and Copyright Law (RS 231.1), Articles 75-77h. See Switzerland's response to questions during the 2013 TPR in WTO document TPR/M/280/Add.1, p. 83.

[366] Trademark Protection Act (LR 232.11), Article 13, para. 2*bis*, and Article 71; and Design Act (RS 232.12) Article 9, para. 1*bis*, and Article 47. See explanation on FIIP website. Viewed at: https://www.ige.ch/en/intellectual-property/counterfeiting-and-piracy/what-does-the-law-say.

3.215. The Swiss Anti-Counterfeiting and Piracy Platform, STOP PIRACY, continues to conduct campaigns to raise Swiss consumer awareness regarding counterfeit and pirated goods, focusing in particular on the dangers of fake medicines, luxury products, and consumer appliances. The FCA reports that the number of interventions increased from 2,905 in 2019 to 4,433 in 2020.[367] Most interventions – both commercial shipments as well as tourist traffic – occur in the categories of "handbags, travel bags, wallets, etc." and "watches and jewellery".[368]

3.216. Since 1923, Switzerland and the Principality of Liechtenstein have had a customs union. A new agreement between Liechtenstein and the Swiss Confederation on customs assistance in the area of IP law entered into force on 21 October 2021[369], replacing a previous one applicable since 2 November 2005.

[367] Federal Customs Administration (2020), *Counterfeiting and Piracy: 2020 Intellectual Property Law Statistics from the FCA*, p. 2. Viewed at: https://www.bazg.admin.ch/bazg/en/home/information-companies/bans--restrictions-and-conditions/intellectual-property--trade-and-culture.html.

[368] Federal Customs Administration (2020), p. 3.

[369] LLG (2021), No. 319, Agreement between the Principality of Liechtenstein and the Swiss Confederation on the Assistance Provided by the Federal Customs Administration in the Field of Intellectual Property Viewed at: https://www.gesetze.li/chrono/2021319000.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Overview and recent policy developments

4.1. Agriculture (including animal husbandry, fisheries, and forestry) accounts for 0.7% of Switzerland's gross value added (GVA) (2020), and some 2.7% of total employment.[1] The average agricultural income per farm was CHF 74,200 in 2019 up from CHF 70,600 in 2018. According to the OECD, total factor productivity growth in agriculture has recently slowed and was estimated to have been negative between 2007 and 2016.[2] This may be partly due to the high labour cost in Switzerland, together with the small farms structure, which is not conducive to economies of scale. Although agriculture plays a relatively minor and declining role in the Swiss economy, the sector is regarded as pivotal in terms of food security, and as a provider of positive externalities, such as environmental protection and the maintenance of cultural landscapes, which are highly valued by Swiss society.

4.2. In the context of this Review, the authorities indicate that Switzerland's agriculture tends to be uncompetitive internationally due to its high production costs, mainly with high labour costs. In addition, they note that Switzerland's small agricultural land per inhabitant leads to a low degree of self-sufficiency (approximately 55%). As a consequence, Switzerland relies on budgetary support measures to ensure a certain level of domestic production.

4.3. Switzerland is a net importer of agricultural and food products (Table A4.1). In 2020, the share of agro-food imports in total imports stood at 7%, and agro-food exports accounted for 4.2% of total exports. While imports are spread over most categories of agricultural and processed products, agro-food exports consist mostly of processed products for final consumption, mainly coffee, non-alcoholic beverages, chocolate, tobacco products, and cheese.

4.4. The farm structure is dominated by relatively small family farms, but the number of large farms with 50 or more hectares increased in recent years (Table 4.1). The authorities note that these large farms (about 6% of all farms) had approximately 214,000 hectares of utilized agricultural area (20% of the total utilized agricultural area) in 2020. The average utilized agricultural area stood at 21 hectares in 2020. The number of farms declined from 54,000 in 2014 to 49,363 in 2020. Hills and mountain farming areas (including alpine summer pastures) are used extensively for milk and meat production, while more concentrated pork and poultry production is located in valleys. About half of Swiss farms are located in hilly or mountainous areas – a handicap that is addressed through the direct payments system (Section 4.1.3).

Table 4.1 Farms according to size classes, 2019 and 2020

Size class	2019 (number)	2020 (number)	Change (%)
Less than 1 ha	2,073	2,064	-0.4
1 ha to less than 3 ha	3,130	3,139	0.3
3 ha to less than 5 ha	2,519	2,408	-4.4
5 ha to less than 10 ha	6,520	6,284	-3.6
10 ha to less than 20 ha	14,382	14,005	-2.6
20 ha to less than 30 ha	10,462	10,287	-1.7
30 ha to less than 50 ha	8,015	8,114	1.2
50 ha and more	2,937	3,062	4.3
Total	50,038	49,363	-1.3

Source: Information provided by the Swiss authorities.

4.5. The agricultural area is mostly grassland, with arable land representing 26% of the total. Crop production has shifted away from traditional arable crops (grains, oilseeds) towards an increasing production of fruits and vegetables. Swiss agriculture is largely rain-fed. OECD estimates indicate that Swiss farmers irrigate only 2.2% of their agricultural land.[3]

[1] The total agricultural labour force was 149,000 in 2020.
[2] OECD (2021), *Agricultural Policy Monitoring and Evaluation 2021*.
[3] OECD (2021), *Agricultural Policy Monitoring and Evaluation 2021*.

4.6. In Liechtenstein, agriculture's contribution to GVA is marginal, although about one third of its territory is used as farmland. In 2020 (unchanged from 2018), agriculture accounted for 0.1% of GVA and less than 0.01% of total employment. There were 95 farms in 2020 with an average farm size of 38 hectares. Milk is the main agricultural product, followed by meat, grains, and vegetables. Fifty-seven farms operate according to Swiss standards under the ecological performance requirements. Complying with such requirements, through a "proof of ecological performance" (PEP), is a condition for the receipt of direct payments. The authorities, mostly cantons in Switzerland, are in charge of designating the agencies responsible for the issuance of PEP certification. Thirty-eight farms practice organic farming according to the guidelines of Bio Suisse, which sets additional and stricter requirements on top of those of the PEP.

4.7. The Federal Office for Agriculture (FOAG), in cooperation with Swiss cantons and producer/value-chain-organizations, is in charge of implementing agriculture-related public policies. Swiss agricultural policy pursues diverse objectives, namely sustainable and market-oriented agricultural production that contributes to food security, protection of natural resources, landscape stewardship, decentralized settlement, and animal welfare. The overarching legal basis of Swiss agricultural policy is the Swiss Constitution (Article 104), which directs the Confederation to support the multi-functionality of agriculture and delivery of public goods, *inter alia*, with direct payments linked to environmental cross-compliance.

4.8. In a 2017 referendum, the Swiss electorate adopted a new article on food security in the Swiss Constitution (Article 104a). It states that in order to guarantee the supply of food to the population, the Confederation shall create conditions for: (i) safeguarding the basis for agricultural production, and agricultural land in particular; (ii) food production adapted to local conditions and using natural resources efficiently; (iii) an agriculture and food sector that responds to market requirements; (iv) cross-border trade relations that contribute to the sustainable development of the agricultural and food sector; and (v) using food in a way that conserves natural resources. The new article calls for a guarantee for sufficient food supplies for the Swiss population in the long term. This guarantee is based on both domestic production and imports, taking into account the entire value chain. Together with the article on agriculture (Article 104), the article on food security defines broad objectives for agricultural and related policies.

4.9. Agricultural policy in Liechtenstein has the objective of achieving sustainable and market-oriented production, in accordance with the Agriculture Act of 2008. Switzerland acts on behalf of Liechtenstein on Customs Union matters, such as imports, exports, and transit, as well as regulation and control of food products in the common market. Liechtenstein has its own direct payments scheme. Liechtenstein farmers also benefit from some of the Swiss market support measures, such as the subsidy for milk processed into cheese, in return for an annual financial contribution by Liechtenstein (Section 4.1.3.3). Some Liechtenstein companies participate in the Swiss auctions of the meat tariff quotas.

4.10. The food supply industry in Switzerland has a significant carbon footprint. In 2018, it was responsible for 23% of greenhouse gas (GHG) emissions generated by the economy as a whole. In addition, the largest share of total methane and nitrous oxide emissions were caused by agriculture, in particular from livestock farming and fertilizer use.[4] During the review period, Switzerland increased efforts to further integrate sustainability measures into sectoral policies, including in agriculture. Furthermore, in June 2021, the Federal Council adopted its 2030 Sustainable Development Strategy, which sets out the path Switzerland intends to take to implement the UN 2030 Agenda for Sustainable Development.[5] The Strategy is an instrument to coordinate and increase coherence between policies to make sustainable development a core component of the numerous federal sectoral activities. The Federal Council in particular highlights the need for a food systems transformation through its priority area "sustainable consumption and production", which includes four objectives related to healthy and sustainable diets, consumption modes with regard to the reduction of GHG emissions, sustainable agricultural production, and reduction of food losses and waste.

[4] Federal Statistical Office (2021), *Agriculture and Food: Pocket Statistics 2021*. Viewed at: https://www.bfs.admin.ch/bfs/en/home/statistics/catalogues-databases/publications.assetdetail.17824822.html.

[5] Federal Council (2021), *2030 Sustainable Development Strategy*.

4.11. On 27 January 2021, the Federal Council adopted the Long-Term Climate Strategy for Switzerland, whose target for the agricultural and food sector is to bring the GHG footprint of the food sector in line with the net-zero target and to avoid any further transfers of GHG emissions abroad by 2050.[6] According to the Strategy, by 2050, GHG emissions from domestic agricultural production are to be at least 40% below 1990 levels and Swiss agriculture should contribute at least 50% to the country's food supply.

4.12. In accordance with the Federal Act on Agriculture, four-year plans are adopted, on a regular basis, to operationalize the Swiss agricultural policy (AP). The most recent plan covers 2018-21 (AP 2018-21), which carried over measures that were applied in 2014-17. However, the spending budgeted for 2018-21 was reduced by 1.7% compared to 2014-17. In February 2020, the Federal Council submitted to the Federal Assembly a draft single AP to be implemented from 2022 onwards (AP22+), along with a draft federal decree on financial resources for agriculture for the years 2022-25. The focus of the proposed strategy included measures to combat environmental pollution and to reduce the amount of resources used when farming. However, in December 2020, the Council of States decided to suspend work on AP22+. This decision was confirmed by the National Council on 16 March 2021. In parallel, the Federal Council was required by both chambers of the Federal Assembly to submit a report on the future direction of the AP to the Federal Assembly by 2022 at the latest. The Federal Assembly decided to maintain the 2022-25 financial envelope at the same level as under AP 2018-21 (Section 4.1.3).

4.13. Several other initiatives related to the agricultural and food sector were submitted to balloting during the review period. An initiative "for clean drinking water" and an initiative "for a Switzerland free of synthetic pesticides" were rejected by Swiss voters on 13 June 2021. In this context, the Parliamentary Initiative "Reducing the risk of the use of pesticides" was prepared, with a view to integrating a reduction trajectory for the use of pesticides in Switzerland into legislation with target values for the risks arising from the use of pesticides and suggested adaptations to improve groundwater quality in relation to the degradation of products from pesticides (Section 4.1.3.1). On 17 September 2019, the popular initiative against mass animal husbandry was submitted. The Federal Council decided on 19 May 2021 to submit a counter-proposal to the Federal Assembly.

4.14. A Soil Strategy was adopted by the Federal Council on 8 May 2020. It aims to preserve the fertility of the soil and to enable it to continue to perform its other services for society and the economy. The Strategy and a series of measures pursue the objective to halt any net loss of soil in Switzerland by 2050.[7] On 6 September 2017, the Federal Council adopted the Action Plan for Risk Reduction and the Sustainable Use of Plant Protection Products.[8] The Action Plan seeks to reduce such risks and encourage alternatives to chemical phytosanitary protection, by improving existing measures and introducing new ones. Fifty-one concrete measures are identified to achieve these goals, of which 29 were fully implemented at end-2021. Since the Action Plan's adoption in 2017, a progress report is published on an annual basis with a brief description of the status of implementation of all measures.[9]

4.15. Following the outbreak of the COVID-19 pandemic, Swiss authorities undertook financial support measures, with a view to ensuring the supply of food for the population while preventing a fall in agricultural market prices. A total of CHF 3 million was allocated for storage of beef, veal, and goat meat, for which demand has declined after the closure of restaurants. The Swiss Government also approved an ordinance on exceptional financial assistance of CHF 10 million for the downgrading of AOC wines to table wine. Under the funding scheme, winegrowers were entitled to receive CHF 2 for each litre of downgraded wine with an AOC designation. Winegrowers were also required to reduce the maximum yields for the 2020 harvest. A maximum of 1.2 kilogrammes per square metre for white wine and 1 kilogramme for red wine per square metre was allowed. Farmers in Liechtenstein were not directly eligible for the exceptional financial assistance for downgrading of AOC wines to table wine. While farmers in Liechtenstein were not eligible for COVID-19 support from Switzerland, the authorities changed the timing of direct payments to farmers, which are normally made in three instalments throughout the year. In 2020, the second partial instalment, which is

[6] Federal Council (2021), *Switzerland's Long-Term Climate Strategy*.
[7] Federal Council (2020), *Swiss National Soil Strategy*.
[8] Federal Council (2017), *Phytosanitary Action Plan*.
[9] FOAG. Viewed at: https://www.blw.admin.ch/blw/fr/home/nachhaltige-produktion/pflanzenschutz/aktionsplan/aktuelles.html.

usually paid in August, was brought forward to June, and increased to 40% of the annual support (instead of the usual 33%).

4.1.2 Market access

4.1.2.1 Applied MFN tariffs

4.16. Switzerland's applied MFN tariff on agricultural products (WTO definition) – based on *ad valorem* equivalents – averaged an estimated 25.4% in 2021, down from 30.8% in 2016 (Table 3.3). Meat and dairy products benefit from the highest levels of tariff protection (Table A3.1). High 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.

4.17. The Swiss customs tariff (Tares) contains about 2,466 tariff lines for agricultural products (HS 8-digit level).[10] As noted during the previous Review, there are about 500 tariff-protected products where import protection may not be necessary (e.g. 0704.9080 Non-headed kale)[11], and approximately another 500 tariff lines where high or prohibitive tariffs are maintained mainly for historical reasons – these tariff peaks may offer scope for tariff cuts without compromising agricultural policy objectives.[12]

4.18. In addition to ordinary customs duties, Switzerland levies guarantee fund contributions to finance its reserve stock scheme for grains, rice, coffee, sugar, certain edible oils and fats, and nitrogen fertilizers. The reserve stocks are managed by two private organizations (Réservesuisse and Agricura) on behalf of the Government (Section 3.1.3.4).

4.19. During the review period, Switzerland's MFN customs tariff featured tariff escalation, adjustable tariffs, seasonal tariffs, and in-quota tariffs.

4.1.2.1.1 Tariff escalation

4.20. Tariff escalation exists in the customs duties on certain processed agricultural products.[13] The applied tariff rate of each product concerned is composed of a fixed element to protect the Swiss food processing industry (industrial protection) and a variable element of agricultural protection, which raises the duty-paid on import prices for basic agricultural products incorporated in the processed product to the Swiss price level.

4.21. The variable element is calculated based on differences between Swiss and world market prices for relevant raw materials and a standard recipe for each tariff line. The standard recipe defines for each category of comparable products the amounts of incorporated raw materials. The standard recipe is defined at the national tariff line level of the Swiss Customs Tariff.[14]

4.1.2.1.2 Adjustable tariffs

4.22. Switzerland maintains a complex scheme of adjustable MFN tariffs to protect its farmers and producers of feedstuffs, oilseeds, feed mixtures, cereals of bread-making quality, and sugar.

4.23. The basic structure of the schemes of feedstuffs, oilseeds, and feed mixtures remained unchanged during the review period. Tariffs are reviewed monthly and adjusted if necessary, so that

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[10] Based on WTO definition of agriculture. The number of tariff lines includes in- and out-of-quota tariff lines according to the 2021 tariff schedule.

[11] SECO. Viewed at: https://www.seco.admin.ch/seco/fr/home/Publikationen_Dienstleistungen/Publikationen_und_Formulare/Aussenwirtschafts/Freihandelsabkommen/behinderung-von-parallelimporten.html.

[12] For example, there are a number of fruits and vegetables to which the out-of-quota tariffs are not applied. See the list at: https://www.blw.admin.ch/blw/fr/home/markt/einfuhr-von-agrarprodukten/gemuese-und-obst.html.

[13] Ordinance of 23 November 2011 on the Industrial Protection Elements and the Variable Elements Applicable to the Import of Processed Agricultural Products (RS 632.111.722).

[14] EFTA (2021), *Notification on Price Compensation Measures for Processed Agricultural Products*. Viewed at: https://www.efta.int/sites/default/files/documents/free-trade/text/Notification-on-price-compensation-measures-for%20PAPs-March-2021.pdf.

the duty-inclusive prices, including guarantee fund contributions, are raised to the level of target import prices, called "threshold prices".[15] According to the authorities, threshold prices do not work as minimum import prices but rather as targets to set the tariffs. The tariffs are then valid for a predetermined period, at least until the next examination. Once the tariff is set, every shipment is charged exactly that tariff irrespective of the value of the good; the tariffs are therefore not variable. The threshold prices are set in the Ordinance on the Importation of Agricultural Products for some of the main feedstuffs (e.g. barley, soybean, and meal).[16] On the basis of the threshold prices for 11 product groups, the Federal Department of Economic Affairs, Education and Research (EAER) determines "indicative import values" for "similar" products (e.g. wheat or rape meal). For feed mixtures, the EAER sets a standard mixture based on Switzerland's global feedstuff consumption. This is to ensure that feed mixtures are subject to the same level of tariff protection as the imports of its components. The tariffs based on target import prices may not exceed the Uruguay Round bindings. There are no tariff quotas for the products covered by the scheme.

4.24. Regarding imports of cereals of bread-making quality (e.g. wheat), a separate tariff mechanism is in place with the statutory target import price called the "reference price", which is determined in accordance with the Ordinance on the Importation of Agricultural Products to reflect the price of "excellent" quality wheat in neighbouring countries. The levied tariffs are based on the tariffs of the grain, the standard flour yield, and an extra fixed tariff (industrial protection). The scheme works in combination with a tariff quota of 70,000 tonnes; the adjustable tariffs may not exceed the bound in-quota tariffs of the products concerned.

4.25. A similar tariff mechanism exists for MFN sugar imports. It was introduced following Switzerland's bilateral agreement with the European Union on processed agricultural products (2005), which provides for bilateral free trade in sugar-containing products. Under the mechanism, Switzerland aims at approximate price parity with EU sugar prices in order not to hamper the competitiveness of the Swiss food industry. MFN tariffs are examined, normally every month, and adjusted if necessary, so that duty-inclusive reference prices are aligned with EU sugar market prices (with a tolerance band of +/- CHF 30/tonne). In 2019, a minimum border protection of at least CHF 70 per tonne of sugar came into force for the period from 1 January 2019 to 30 September 2021.[17] On 3 November 2021, the Federal Assembly decided to maintain the current minimum border protection until 2026 (Section 4.1.3.4). In addition, it decided to maintain the current support measures for organic sugar beet farming.

4.26. Switzerland's adjustable MFN tariffs subject to the scheme described above are not fully captured by the Secretariat's tariff analysis (i.e. tariff averages) in Section 3, since Switzerland notifies its MFN tariffs to the WTO Integrated Database as applied on 1 January of each year.

4.1.2.1.3 Seasonal tariffs

4.27. Switzerland levies seasonal tariffs on 95 agricultural products (unchanged since 2016), all of which are fresh fruit, vegetables, or cut flowers.[18] The seasonal tariffs are applied in combination with tariff quotas for most domestically produced fruit and vegetables.

4.28. During the "out-of-season" period, there is no tariff quota management, and imports are allowed in unlimited quantities at the bound in-quota tariff. The out-of-season period is very short for some products (two weeks).

4.29. During the harvest season ("managed period"), tariff quotas are opened if domestic production is insufficient to satisfy demand. Operators that hold stocks (exceeding their needs for two days) of fruit and vegetables at the beginning of the managed period but that were imported during the out-of-season period are required to file a new customs declaration and pay the difference

[15] There is a tolerance band of +/- CHF 3 for deviations from the threshold price. Within this band, there is no legal obligation to adjust the tariffs.

[16] RS 916.01 of 26 October 2011.

[17] Federal Council (2021), "Prolongation de la protection douanière minimale pour le sucre", 3 November. Viewed at: https://www.admin.ch/gov/fr/accueil/documentation/communiques/communiques-conseil-federal.msg-id-85706.html.

[18] From 2017, Switzerland has granted unlimited access at the bound in-quota tariff for cut flowers.

between the in-quota and the applicable out-of-quota tariffs (or use parts of their tariff quota at the beginning of the "managed period").

4.30. No tariff quotas are opened during the harvest season if domestic supplies are sufficient to satisfy demand ("full supply period"). In this case, imports in unlimited quantities are allowed at reduced out-of-quota tariffs. The periods when reduced out-of-quota tariffs are applicable are published on the FOAG's website or by means of circular letters. The reduced out-of-quota tariffs are set out in the Ordinance on Imports of Agricultural Products (RS 916.01) and published in the Tares. Clearances at the reduced out-of-quota rates are carried out at the request of the declarant. These reduced rates are not included in the Secretariat's tariff analysis, since Switzerland notifies its MFN tariffs to the WTO Integrated Database as applied on 1 January of each year.

4.1.2.1.4 Tariff quotas

4.31. Switzerland's WTO tariff-quota commitments cover 28 product categories. Some of them, including for dairy products and grains, are divided into sub-quotas. Switzerland also has bilateral preferential tariff quotas that are generally aggregated with WTO tariff quotas. There was no significant change to the tariff-quota administration regime during the review period.

4.32. In many cases, there is a large gap between the applied MFN in-quota and out-of-quota tariffs (Table A4.2). Switzerland has regularly notified annual updates of its administration of WTO tariff quotas and their utilization (up to 2021).[19]

4.33. The predominant allocation procedures are on a first-come, first-served basis, auctioning, past imports, and *prise en charge* (under which the allocation of tariff quota is contingent upon local purchase), and unlimited access at the bound in-quota tariff. When domestic supplies are insufficient, the tariff quotas may also be increased autonomously, resulting in fill ratios greater than 100% (capped at 100%, Table A4.2). The FOAG publishes the tariff quota allocation on its website. The auction results (including accepted bids and the names of buyers) are also published on the FOAG website.[20] The daily fill rates of first-come, first-served, "at the border" tariff quotas are published by the Federal Office for Customs and Border Security (FOCBS) (formerly known as the Federal Customs Administration).[21]

4.1.3 Domestic support

4.34. Switzerland submitted its most recent domestic support notification in 2021, covering calendar year 2019.[22]

4.35. In June 2021, the Federal Assembly decided to maintain the 2022-25 financial envelope at the same level as under AP 2018-21, totalling CHF 13,957 million. The expenditure ceiling for the measures to support the production base will amount to CHF 552 million, for the measures to support production and marketing CHF 2,156 million, and for the allocation of direct payments CHF 11,249 million. Under AP 2022-25, expenditures to improve the production base and social measures include direct support to farm investments, as well as general support for infrastructure improvement, social aid to farmers, breeding promotion, and advisory services. Production and marketing expenditures mainly support dairy producers via three types of payments: (i) for milk delivered for cheese processing; (ii) for milk production without silage feed; and (iii) for marketed milk (introduced in 2019) (Section 4.1.2.2). In addition, area payments apply to oilseeds, protein crops, grain (introduced in 2019), and sugar beet. Some expenditures under this heading also provide funds for general services to the sector, including marketing and product promotion. Public expenditures to farmers aim to meet the demand for, *inter alia*, food security, environment protection (landscape, biodiversity, sustainable use of resources), and animal welfare. These payments are subject to environmental cross-compliance conditions (Section 4.1.3.1).

[19] WTO documents G/AG/N/CHE/108, 6 May 2021; and G/AG/N/CHE/113, 9 December 2021.
[20] FOAG. For more information about the auctioning system, see: https://www.blw.admin.ch/blw/fr/home/markt/einfuhr-von-agrarprodukten.html
[21] FOCBS, *Status of Collective Quotas*. Viewed at: https://www.ezv.admin.ch/ezv/fr/home/infos-pour-entreprises/interdictions--restrictions-et-conditions/mesures-economiques-et-agricoles/contingents-tarifaires/etat-des-contingents.html.
[22] WTO document G/AG/N/CHE/109, 11 May 2021.

4.36. In Liechtenstein, agriculture expenditures increased from less than CHF 14.1 million in 2016 to CHF 14.7 million in 2020, most of which was allocated to direct payments (Table 4.3). The difference in direct payment of CHF 12.4 million and CHF 14.7 million of agriculture expenditures in 2020 consists of contributions paid to different sectoral organizations and advising farmers (CHF 0.4 million), expenses for structural improvements (CHF 1.2 million) and expenses for the protection and maintenance of alpine pastures (CHF 0.7 million). Liechtenstein also makes a financial contribution to the common agricultural policies with Switzerland. The amount of the contribution was roughly CHF 0.7 million in 2020. The key measure for Liechtenstein is the subsidy for processing milk into cheese for which Liechtenstein's contribution was nearly CHF 386,000 in 2020.

4.1.3.1 Direct payments

4.37. The level of direct payments to farms remains relatively high in Switzerland. According to the OECD, they account for around 50% of support to farmers.[23] Most are general area payments to all agricultural land, payments to maintain farming in less favourable conditions, and payments to farmers who voluntarily apply stricter farming practices related to environmental and animal welfare. Direct payments averaged CHF 71,000 per farm in 2020 and contributed on average to 21% of farmers' revenues. Under AP 2018-21, total direct payments expenditures were maintained at a level of about CHF 2.8 billion per year, broadly unchanged from spending under the previous four-year plan.

4.38. The direct payments system comprises seven categories of payments, each targeted to a specific policy objective, with a total of 25 measures (Table 4.2). The general eligibility criteria for direct payments have not changed since the previous Review and include a set of environmental performance standards (proof of ecological performance), including a 7% biodiversity area requirement. The authorities indicate that this requirement will still be in force under AP 2022-25. The maximum direct payment is CHF 70,000 per annual work unit.[24] Some direct payments are degressive by farm size, income, and assets.[25]

4.39. "Payments for ensuring food security" remain the main category, and they cover three types of support:

- The "basic payment" for which virtually the entire agricultural area of 1 million hectares is eligible (CHF 900 per hectare, CHF 450 per hectare for biodiversity pastures and meadows), including permanent pastures[26] but excluding the summer pasturing area. Since 2014, the basic payment is no longer tied to the number of animals but is based on acreage with a minimum stocking density for pastures and meadows. In Switzerland's 2019 domestic support notification, this category was incorporated in its aggregate measure of support (AMS) calculation; all other categories under "payments for ensuring food security" were notified as Green Box measures.

- The "payment under difficult production conditions", which provides additional support for producers in the hilly and mountainous zones (ranging from CHF 240 per hectare for hilly zones to CHF 360 per hectare for the highest mountain zones). About 53% of the total agricultural area is eligible.

- The "payment for open arable land and permanent crops" (CHF 400 per hectare), which is a pre-existing measure that raises the level of support for the arable sector compared with the pasture-based livestock sector (dairy). The policy objective is to stabilize the arable area for food security purposes.

4.40. The "farmland payments" have the objective of maintaining a cultivated agricultural landscape in the hilly and mountainous areas. Four of the six measures are per-hectare payments that are tiered according to the slope of the terrain and are conditional on landscape stewardship measures by farmers. The higher the location of the farm, the higher the direct payment. On the

[23] OECD (2021), *Agricultural Policy Monitoring and Evaluation 2021*.
[24] Excluding "transitional payments, payments for landscape quality, resource efficiency payments and payments for biodiversity networks".
[25] The basic payment for ensuring food security is reduced for farms larger than 60 ha; transitional payments are reduced from a level of income of CHF 80,000 and assets of CHF 0.8 million.
[26] The payment rate is CHF 450/ha on permanent pastures that are cultivated as biodiversity areas.

summer pasturing area (covering about 465,000 hectares), the "summer pasturing payments" are subject to environmental requirements for grazing livestock. The payments stand at CHF 400 per livestock unit (CHF 440 for dairy cows, dairy goats, and dairy sheep). About 3% of Swiss milk production (totalling 3.5 million tonnes) comes from summer pasturing.

4.41. The "payments for production systems" are intended to encourage environmentally friendly or animal welfare-friendly methods of production. The "payments for organic agriculture" (CHF 200/ha-CHF 1,600/ha, depending on the crop) are linked to farming methods that comply with the Organic Farming Ordinance (RS 910.18). The "payments for extensive cereal and rapeseed production" amount at CHF 400/ha and provides an incentive for a pesticide-free production. The "payments for pasture-based dairy and meat production" (CHF 200/ha) aim to provide an incentive for pasture and roughage-based livestock systems. The payments for animal welfare (CHF 80-CHF 370/livestock unit for outdoor systems, and CHF 90-CHF 280/livestock unit for housing systems) aim to improve animal farming conditions.

4.42. The "biodiversity payments" are provided to compensate farmers for the adaptation of their land use, with a view to countering the decline of priority species and valuable natural habitats on agricultural land. Thus, the objectives and measures defined within the framework of the contributions to biodiversity aim to contribute to the achievement of the environmental objectives for agriculture. There are two types of biodiversity payments: (i) payments for quality (with two types of quality, depending on the performance)[27], and a payment of CHF 150-CHF 3,800/ha is provided by the Federal Government for certain lands that contribute to biodiversity; and (ii) payments for connectivity (CHF 1000/ha of the core farmland), which are granted only if the agricultural land complies with the guidelines of a regional connectivity project approved by the canton. These payments are co-financed by the Federal Government (maximum of 90%) and by the cantons, municipalities, or private sponsors.

4.43. The "resource efficiency payments" aim to improve the sustainable exploitation of natural resources and the efficient use of the means of production. These payments comprise five incentives measures for emission-reducing application techniques of manure, precision application of pesticides, reduced tillage methods, nitrogen-reduced phase feeding for pigs, and reduced application of pesticides in sugar beet, fruit, and vine growing. [28]

4.44. The "transitional payments", which were initially intended to make the change to the new direct payments system (effective in 2014) socially acceptable, shall continue to be disbursed in 2022-25.

Table 4.2 Direct payments, 2017-20

(CHF million)

	2017	2018	2019	2020
Payments for ensuring food security	1,086.3	1,084.1	1,080.6	1,079.6
Basic payment	814.1	811.6	809.5	807.7
Payment under difficult production conditions	159.6	159.4	159.4	159.3
Payment for open arable land and permanent crops	112.6	113.1	111.8	112.7
Farmland payments	523.0	521.8	527.7	525.4
Payments to maintain open landscape	140.0	140.0	139.9	140.0
Steep slope payments	125.4	126.6	126.6	126.7
Payments on very steep slopes	11.4	11.3	11.2	11.3
Steep slope payments for wine growers	11.8	11.5	11.7	11.8
Alpine pasturing payments	109.2	108.5	110.1	106.6
Summer pasturing payments	125.2	124.0	128.3	129.0
Payments for production systems	466.7	476.8	488.9	493.5
Payment for organic agriculture	50.5	55.2	60.1	63.7
Payments for extensive cereal and rapeseed production	34.1	35.2	34.5	33.9
Payments for pasture-based dairy and meat production	110.2	110.8	111.7	111.9
Animal welfare payments (outdoor)	190.0	191.6	197.1	197.3
Animal welfare payments (housing systems)	81.9	83.9	85.7	86.6

[27] Further explanation on payments for quality is available at: https://www.blw.admin.ch/blw/fr/home/instrumente/direktzahlungen/biodiversitaetsbeitraege.html.

[28] FOAG, *Resource Efficiency Payments*. Viewed at: https://www.blw.admin.ch/blw/fr/home/instrumente/direktzahlungen/ressourceneffizienzbeitraege.html.

	2017	2018	2019	2020
Biodiversity payments	413.3	410.6	417.0	426.4
Quality payment	313.4	307.9	312.0	317.8
Payment for biodiversity networks	99.9	102.7	105.0	108.6
Payments for landscape quality	145.1	145.9	146.0	146.7
Resource efficiency payments	28.3	35.4	37.0	39.5
Payment for emission-reducing application techniques of manure	12.1	13.1	13.5	13.7
Payment for reduced tillage	15.2	16.7	16.1	16.1
Payment for precision application of pesticides	0.9	1.4	2.0	2.0
Payment for nitrogen-reduced phase feeding for pigs	n.a.	2.4	2.9	3.0
Payment for reduced application of pesticides in sugar beet, fruit and vine growing	n.a.	1.8	2.4	4.7
Payments for water protection and sustainable use of natural resources	18.4	21.5	21.5	28.1
Transitional payments	128.7	113.8	104.4	79.9
Other	-4.3	-6.4	-7.9	-8.6

n.a. Not applicable.

Note: Payments for water protection and sustainable use of natural resources are not direct payments but another type of financial support. Since they are financed by the federal direct payments budget (and co-financed by the cantons), they are included in this table.

Source: Information provided by the Swiss authorities.

4.45. As a consequence of the rejection by the Swiss voters of the initiatives "for clean drinking water" and "for a Switzerland free of synthetic pesticides" and the subsequent adoption of the alternative parliamentary initiative, the direct payments regime is set to be adjusted in 2023. The reform aims to achieve some specific reduction targets, by the means of increased environmental requirements for direct payments recipient (Box 4.1). The additional requirements, which are set to be applied on top of the current environmental requirements (proof of ecological performance), are currently going through a public consultation.

Box 4.1 Measures to reduce nitrogen and phosphorus losses through the direct payments system and the reduction of the risk associated with the use of pesticides in Switzerland

In July 2020, the Federal Assembly decided to adopt amendments to the Federal Law on Agriculture by means of a parliamentary initiative (19.475: "Reduction of the risk associated with the use of pesticides"), with a view to defining reduction targets for both the use of plant protection and biocide products and nutrient losses: (i) the risks to surface waters and semi-natural habitats as well as to groundwater and groundwater pollution from pesticides must be reduced by 50% by 2027 compared to the mean value of the years 2012-15; and (ii) nitrogen and phosphorus losses from agriculture must be appropriately reduced by 2030 compared to the mean value of the years 2014-16.

The Federal Assembly has charged the Federal Council to define an appropriate 2030 target for nutrient losses and to implement by ordinance measures, including by developing appropriate indicators, to achieve these goals. On 28 April 2021, the Federal Council submitted the proposed measures for public consultation until 18 August 2021. According to the authorities, the Federal Council decision on these ordinances is expected in the second quarter of 2022 and the entry into force of the measures for 1 January 2023.

Source: Information provided by the Swiss authorities.

4.46. Liechtenstein's current direct payments scheme has been in place since 2010.[29] In their 2019 domestic support notification, the authorities note that the payment for herding roughage-consuming animals is made per livestock unit.[30] Other payments under Liechtenstein direct payment systems are made for countryside stewardship in hilly and mountainous areas, and environmental and animal welfare (Table 4.3).

4.47. Liechtenstein has not followed suit in reforming its direct payments system in line with the Swiss AP 2014-17[31], as a direct payments scheme with a strong focus on the production area could,

[29] Ordinance on Agricultural Income Supplements (RS 910.023) of 23 March 2010.

[30] Roughage-consuming animals are cattle, horses, sheep, goats, bison, water buffalo, deer, llamas, and alpacas.

[31] The reform aimed to, *inter alia*, reallocate some of the subsidies from livestock and dairy production to the arable sector and marginal areas.

according to the authorities, weaken the competitiveness of its dairy and cattle sector in the common market with Switzerland and increase competition for the allocation of the already scarce cultivated land. Moreover, support for remote regions and agricultural crops is of minor importance in Liechtenstein. Since 2016, no major agricultural reform has been implemented, but several minor adaptations have been realized towards the goal of a sustainable agricultural sector.

Table 4.3 Liechtenstein's direct payments, 2016-20

(CHF million)

	2016	2017	2018	2019	2020
Total direct payments	11.6	11.3	11.4	12.0	12.4
Income supplements (farm income aids, payments for selected crops, payments for roughage-consuming animals, payments for pasturing)	5.6	5.4	5.5	5.9	6.2
Environmental and animal welfare payments	5.5	5.4	5.4	5.6	5.7
Payments for countryside stewardship in hilly and mountainous regions	0.5	0.5	0.5	0.5	0.5

Source: Information provided by the Liechtenstein authorities.

4.1.3.2 Market support measures

4.48. Price support is relatively significant in Switzerland. The OECD estimates that it accounts for 50% of total producer support, and domestic prices were on average 46% above world prices in 2018-20.[32] In addition to tariff rate quotas with high out-of-quota tariffs, Switzerland also provides complementary market support measures. Such expenditures mainly support dairy producers. In addition, area payments apply to oilseeds, protein crops, grain, and sugar beet.

4.49. Switzerland's market support measures are presented in Table 4.4. In its most recent notifications to the WTO Committee on Agriculture (calendar year 2019), which were jointly submitted with Liechtenstein, Switzerland indicated that price support through applied administered prices is in place only for tobacco. "Observed" prices as close as practicable to the first point of sale are used to calculate the support (i.e. prices observed by FOAG and price data provided by agricultural organizations). The notification shows a current total AMS of CHF 1,434 million, well below the bound total AMS commitment level of CHF 4,257 million.[33]

Table 4.4 Market support and direct payments, 2017-20

(CHF million)

Measure	2017	2018	2019	2020
Market support payments[a]				
Dairy sector, of which:	293.0	293.0	378.7	371.8
Subsidy for milk processed into cheese	262.6	263.2	197.8	192.2
Subsidy for feeding without silage	30.4	29.8	31.4	30.3
Subsidy for marketed milk	n.a.	n.a.	149.5	149.4
Plant production, of which:	64.2	64.7	84.9	..
Crop premiums and supplement (RS 910.17)	60.9	62.0	80.7	..
Direct payments	2,806	2,805	2,819	2,810

n.a. Not applicable.

.. Not available.

a Including export subsidies for 2016-18.

Source: FOAG, *Annual Report on Agriculture, Switzerland's Domestic Support Notification*, various issues.

4.1.3.3 Milk

4.50. In 2020, there were some 680,000 cows (in about 18,500 dairy farms) in Switzerland, and 3.3 million tonnes of milk were produced. A small proportion of milk originates in Liechtenstein.

[32] The methodology for calculating these indicators is different from that used to calculate the AMS, and the two sets of data are neither compatible nor comparable.

[33] WTO document G/AG/N/CHE/109, 11 May 2021.

4.51. In Liechtenstein, where some 50 dairy farms produced 13.7 million kg of milk in 2019, milk production is constrained by a production quota system, which stood at 14.6 million kg in 2020. In the context of the previous Review, the authorities stated that the advantages of the milk quota outweigh its disadvantages, and that representatives from the milk sector have declined an exit from the milk quota system.

4.52. As an accompanying measure to the abolition of export subsidies under the "Schoggigesetz" (Chocolate Law), the Swiss authorities introduced an additional non-export linked aid for marketed milk (supplement for marketed milk) at the rate of CHF 0.045/kg, as of 1 January 2019 (0.05/kg as of January 2022) for all producers of marketed milk in Switzerland.[34] As stated by the Liechtenstein authorities, the same measure is in place for Liechtenstein milk producers.

4.53. In addition, the supplement for milk converted into cheese, the key internal support measure, is paid at a rate of CHF 0.15/kg less the supplement for marketed milk.[35] The Liechtenstein authorities indicate that they repay the Swiss authorities CHF 0.105/kg as a compensation for milk converted into cheese in Liechtenstein.

4.54. The authorities consider that the subsidy for milk processed into cheese has important socio-economic effects and helps to achieve the aim of a decentralized population. It was noted during the previous Review that exports of cheese also benefit from indirect support through the subsidy for milk processed into cheese, although the subsidy is not contingent on exports. The subsidy for "feeding without silage" (CHF 0.03/kg of raw milk) is aimed at assisting the production of non-pasteurized specialty cheeses.

4.55. The Swiss interbranch organization for milk, l'Interprofession du Lait (IP Lait), continues to implement a standard milk delivery contract for its members. This contract contains various provisions regarding quantities and prices. However, the determination of prices and quantities remains a matter for the individual milk sellers and milk buyers. On 1 July 2013, the Federal Council decided to make the delivery contract compulsory for all milk producers including those outside IP Lait until 31 December 2017. The contract was subsequently extended to the end of 2021, and recently until 31 December 2025.

4.56. The pricing policy for raw milk deliveries is based on market segmentation. The "A segment" comprises domestic sales of milk products that benefit from tariff protection and domestic support (cheese subsidy). The "B segment" includes world market exports of skimmed-milk powder (milk protein) and domestic sales of butter (milk fat). The "unsupported C segment" comprises world market exports of butter and skimmed-milk powder. In 2020, 82.1% of milk deliveries were in the A segment, 17.1% in the B segment, and 0% in the C segment.

4.1.3.4 Grains, oilseeds, and sugar

4.57. Crops account for 48% of Swiss agriculture production. In addition to direct payments, arable crops also benefit from crop premiums (Table 4.5). Crop premiums are aimed at ensuring food and feed security[36], by strengthening the competitiveness of grains, oilseeds, pulses, sugar beets, and certain seeds, which tend to benefit from lower border protection than livestock products. Following the repeal of export subsidies for cereals used as raw material in processed agricultural products, its related financial envelope was transferred to the agricultural budget to finance a new non-export linked support system, the grain supplement. Since 2019, this new aid has been allocated to cereal farmers per hectare for areas allocated to the cultivation of wheat, spelt, rye, starch, einkorn, barley, oats, triticale, rice, millet, and sorghum, as well as mixtures of these cereals.

4.58. The crop premiums and the grains supplement are not subject to payment limits, and they may be cumulated with other payments. Switzerland has included the crop premiums and the grain supplement as "product-specific support" (Supporting Table DS:6) in its calculation of the Total Current AMS.[37]

[34] Federal Law of 29 April 1998 on Agriculture (RS 910.1), Article 40, and Ordinance of 25 June 2008 on Supplementary Payments and Aid in Relation to Milk (RS 916.350.2), Article 2a.

[35] Ordinance on Supplementary Payments and Aid in Relation to Milk (RS 916.350.2).

[36] Federal Law of 29 April 1998 on Agriculture (RS 910.1), Article 54.

[37] WTO document G/AG/N/CHE/109, 11 May 2021.

4.59. In 2019, 56% of the total crop premiums were allocated to sugar beets. The payment rate for sugar beets was temporarily increased from CHF 1,800/ha to CHF 2,100/ha and a minimum border protection of at least CHF 70 per tonne of sugar came into force for the period from 1 January 2019 to 30 September 2021. According to the authorities, the Federal Council decided on these temporary measures to enable the Swiss sugar industry to increase its competitiveness in view of the difficult situation on the sugar market, notably low sugar beet prices and new diseases. These temporary measures were also a response to Parliamentary Initiative No. 15,479, which proposes to adapt border protection to guarantee a minimum sugar price. In September 2021, the Federal Assembly extended the measures until 2026 and an additional premium of CHF 200 per hectare was put in place for organic or integrated sugar production.

4.60. In Switzerland and Liechtenstein, sugar production is constrained by quotas agreed on a private basis between the sugar refineries and the sugar beet producers. In 2019, the agreed sugar quota was 252,000 tonnes, while production stood at 239,000 tonnes. The surplus management is handled by private actors, where the Confederation has no role, according to the authorities.

Table 4.5 Crop premiums 2017-19

Total expenditures (CHF million)			Eligible crops	Payment rate (CHF/ha)
2017	2018	2019		2019
19.6	21.4	21.5	Rapeseed, sunflower, pumpkin (for oil), linseed, poppy and safflower Soya	700 1,000
1.6	1.6	1.7	Seed potatoes and seed maize Seed legumes and grasses (for feed)	700 1,000
5.9	5.7	5.3	Pulses (for feed)	1,000
33.8	33.3	36.6	Sugar beets	2,100

Source: Information provided by the Swiss authorities.

4.1.4 Export subsidies

4.61. In 2021, Switzerland notified that it did not grant any agricultural export subsidies during the calendar year 2020.[38] It had export subsidy reduction commitments with respect to five product categories (dairy products, breeding cattle and horses, fruit, potatoes, and processed products). Export subsidies with respect to the first four product groups have been abolished since 2010. In 2016, the Federal Council amended the Ordinance Regulating Export Contributions for Processed Agricultural Products that terminates export subsidies on products destined for LDCs, with a view to implementing the Nairobi Ministerial Decision on Export Competition.[39] The Federal Assembly abolished the export contributions for agricultural raw materials used in processed agricultural products at the end of 2018. The export contributions, which were paid by the Federal Department of Finance for milk and grain processed into such products, were abolished as of 1 January 2019. As an accompanying measure, new non-export-linked domestic support instruments for producers of cereals and marketed milk have been introduced (Sections 4.1.3.3 and 4.1.3.4).

4.62. Switzerland maintains an assistance programme for its farmers' organizations and inter-professional organizations to promote their agricultural products on the internal market and abroad. Each year, the organizations must apply for financial support of their promotional activities for the following year. Under the programme, the Confederation can co-finance up to a maximum of 50% of the costs for eligible organizations, but only for market research and the following communication instruments: advertising (e.g. print, TV, radio, and online); new media (e.g. websites and social media); sales promotion (e.g. tastings, advertising material, and training); and public relations, events, fairs, sponsoring, and direct marketing. A large part of the financial support is dedicated to the promotion of cheese (38%), milk (14%), meat (9%), and fruit (3%). The marketing campaigns for organic products and for Protected Designation of Origin (PDO)/Protected Geographical Indication (PGI) products are also co-financed. Price-related activities (e.g. a price reduction on products) and distribution costs are not eligible for financial support.

[38] WTO document G/AG/N/CHE/110, 5 October 2021.
[39] Ordinance of 25 November 2011 Regulating Export Contributions for Processed Agricultural Products (RS 632.111.723), as amended on 11 March 2016, Article 2a.

4.63. In 2020, CHF 62 million was granted to around 30 promotion and marketing organizations.

4.1.5 Evolution of support

4.64. According to OECD estimates, Switzerland's support to agricultural producers (producer support estimate (PSE)) declined from CHF 6.6 billion in 2016 to 5.8 billion in 2018, mainly due to lower market price support to the milk, beef, and pig meat sectors (Table 4.6). However, PSE increased in 2019 and 2020, reflecting recent developments, including increased market support to the milk sector. Though, in 2018-20, the highest level of product-specific support and protection went to poultry, eggs, pig meat, and rapeseed.[40] Public support to each of these commodities accounted for over 50% of their gross farm receipts.[41] Payments to agricultural producers also increased between 2018 and 2020. 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 (Section 4.1.3.2).[42]

4.65. The OECD estimates that the share of potentially most distorting transfers in cumulated gross producer transfers was around 40% in 2018-20, while it stood at some 60% in 2000-02.

4.66. Expenditures for general services relative to agricultural value-added stood at 16% in 2018-20, and are among the highest of OECD countries. Almost half of such expenditure finances the agricultural knowledge and innovation system.

Table 4.6 OECD PSE for Switzerland, 2016-20

(CHF million)

	2016	2017	2018	2019	2020
Total value of production (at farm gate)	**8,506.7**	**8,681.8**	**8,731.6**	**9,024.6**	**8,915.6**
PSE	**6,608.8**	**6,195.9**	**5,842.8**	**5,902.6**	**6,472.1**
Market price support	**3,176.2**	**2,748.7**	**2,387.6**	**2,332.2**	**2,908.8**
Milk	560.5	229.5	415.9	105.5	266.8
Beef	581.7	520.4	444.8	523.7	555.7
Pig meat	470.1	407.6	437.8	493.7	553.3
Poultry	266.3	271.0	278.2	264.9	279.9
Payments to producers	**3,432.7**	**3,447.2**	**3,455.2**	**3,570.4**	**3,563.3**
Interest concessions	44.6	44.7	38.4	38.4	31.9
Payments for oilseeds cultivation	19.7	19.7	21.4	21.5	22.0
Payments for animal housing systems	80.2	81.9	83.9	85.7	86.6
Payments for regularly keeping animals outdoors	189.0	190.0	191.6	197.0	197.3
Payments for organic farming of crops	45.1	50.5	55.2	60.1	63.7
Payments for extensive livestock on grassland	109.2	110.2	110.8	111.7	111.9
Payments for ensuring food supplies – contribution to difficult conditions	160.2	159.6	159.4	159.4	159.3
Payments for ensuring food supplies – arable land and perennial cultures	112.2	112.6	113.1	111.8	112.7
Area payments to sugar beet	34.1	34.1	33.3	36.6	36.8
Payments for ensuring food supplies – basic contribution	818.2	814.1	811.6	809.5	807.8
Transitional payments	162.0	128.6	113.8	104.4	85.9
PSE % (as a percentage of gross firm receipts including support)	**55.4**	**51.1**	**47.9**	**46.9**	**51.9**
PSCT % (as a percentage of gross firm receipts including support)	**39.7**	**34.2**	**30.1**	**29.1**	**35.7**
Producer Nominal Protection Coefficient (producer NPC)	**1.66**	**1.52**	**1.43**	**1.41**	**1.56**

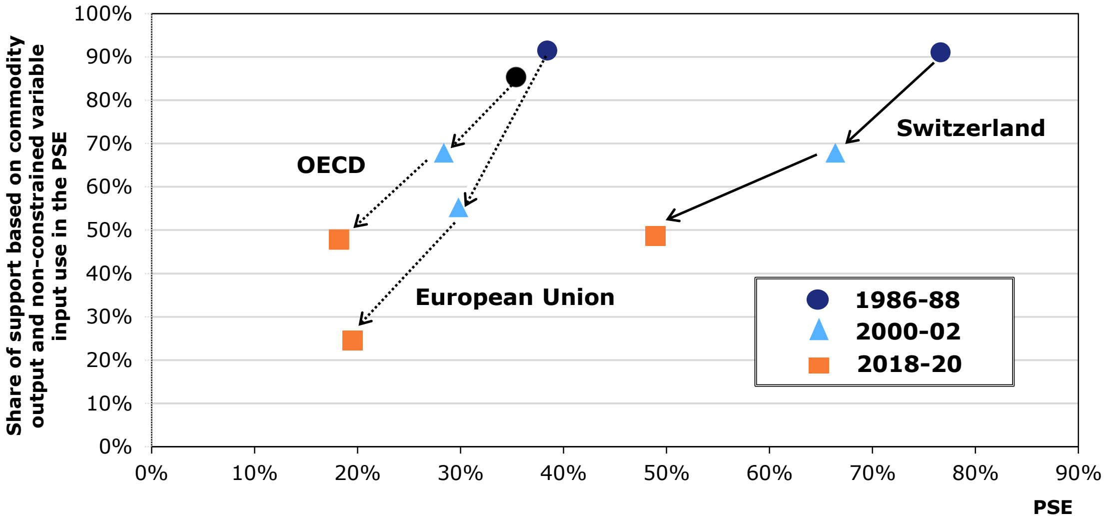
Note: PSE: The annual monetary transfers to agricultural producers, measured at the farm gate level from market price support, budgetary payments, and budget revenue forgone.
PSCT (producer single commodity transfers): Sum of transfers to producers granted to a single commodity.
Producer NPC: The ratio between the value of gross farm receipts including support and gross farm receipts (at farm gate) valued at border prices (measured at farm gate).

Source: OECD, *Agricultural Policy Monitoring and Evaluation 2021*.

[40] According to the OECD single commodity transfer estimates, expressed as a share of commodity gross farm receipts.
[41] OECD (2021), *Agricultural Policy Monitoring and Evaluation 2021*.
[42] OECD (2016), *OECD's Producer Support Estimate and Related Indicators of Agricultural Support*.

4.67. Switzerland is in line with the trends in the OECD and the European Union in making reforms towards less trade-and-production-distorting measures (Chart 4.1). However, PSE accounted for 51.9% of gross farm revenues in 2020, meaning that almost over a half of farmers' revenues were due to support policies. In relative terms, Swiss farmers received over twice as much support as EU farmers (PSE of 19.3%) and OECD average (18.2%).

Chart 4.1 Level and composition of support to agricultural producers



Note: The level of support is represented 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 (2021), *Agricultural Policy Monitoring and Evaluation 2021*.

4.2 Mining and Energy

4.2.1 Mining

4.2.1.1 Switzerland

4.68. Save for a marginal exploitation of salt, Switzerland is virtually devoid of any mineral resources and therefore does not have a mining industry *per se*. It is, however, a major global hub for mineral products trading as explained in the maritime transport section.

4.2.1.2 Liechtenstein

4.69. There are no mining activities in Liechtenstein.

4.2.2 Energy

4.2.2.1 Switzerland

4.2.2.1.1 Economic developments

4.70. As illustrated by Table 4.7, which describes the balance of energy trade, during the period under review Switzerland imported more than 80% of its energy supply (oil and gas of which it is devoid, but also electricity for trading purposes), while it exported about half of its local production (electricity in summer months when demand is low and production of run of river is high at certain periods of the year and marginally refined oil).

4.71. The local production of energy increased by 8.2% during the review period, though not in a linear manner. Within local production, the share of hydroelectricity oscillated around 50% (due to weather/climate conditions), the share of wood remained around 15%, and the share of other renewables (solar and wind) grew from 9.8% to 13.0%.

4.72. Imports decreased during the period under review from 951,380 TJ in 2015 to 872,180 in 2020. In terms of structure, the imports mix remained more or less stable, except for nuclear fuels imports, which ranged between 19.8% and 24.6% of the total supply. There is no discernible trend in the evolution of this mix except for a slight decline of the share of electricity. Similarly, exports declined overall during the period from 144,280 TJ in 2015 to 136,150 TJ in 2020 but registered variations with a low in 2016-17 and a peak in 2018-19. The structure of the exports remained largely stable with electricity accounting for more than 85% of the exports, and oil constituting the bulk of the remainder.

4.73. Overall, the total supply of energy slightly declined from 1,072,190 TJ in 2015 to 1,023,040 TJ in 2020. It reached a peak of 1,121,740 TJ in 2017.

Table 4.7 Energy balance of Switzerland, 2015-20

(Unit: TJ)

	Total local production	Total imports	Total exports	Nuclear fuels	Total supply energy incl. nuclear fuels
2015	**265,150** of which: - Wood: 15.16% - Hydro: 53.61% - Waste: 21.43% - Other renewables (solar, wind): 9.8%	**710,280** of which: - Wood and charcoal: 0.29% - Coal: 0.76% - Oil and oil products: 64.61% - Gas: 16.81% - Biofuels: 0.26% - Electricity: 17.24%	**144,280** of which: - Coal and charcoal: 0.76% - Coal: 0% - Oil and oil products: 12.42% -Electricity: 87.4% **Part of local production exported: 54.41%**	**241,040** **22.5% of the total supply energy**	**1,072,190**
2016	**262,660** of which: - Wood: 16.76% -Hydro: 49.55% - Waste: 22.51% - Other renewables: 10.93%	**718,640** of which: - Wood and charcoal: 0.24% - Coal: 0.66% Oil and oil products: 64.1% - Gas: 17.46% - Biofuels: 0.46% - Electricity: 17.08%	**128,460** of which: - Coal and charcoal: 0.08% - Coal: 0.008% - Oil and oil products: 15.35% -Electricity: 84.55% **Part of local production exported: 48.91%**	**220,750** **20.6% of the total supply energy**	**1,073,590**
2017	**266,960** of which: - Wood: 16.68% - Hydro: 49.44% - Waste: 22.23% - Other renewables: 11.63%	**722,080** of which: - Wood and charcoal: 0.3% - Coal: 0.63% - Oil and oil products: 62.7% - Gas: 17.44% - Biofuels: 0.07% - Electricity: 18.15%	**127,390** of which: - Coal and charcoal: 0.07% - Coal: 0.5% - Oil and oil products: 12.47% -Electricity: 86.70% **Part of local production exported: 47.72%**	**212,720** **19.8% of the total supply energy**	**1,074,370**
2018	**268,600** of which: - Wood: 15.65% - Hydro: 50.16% - Waste: 22.26% - Other renewables: 11.91%	**668,640** of which: - Wood and charcoal: 0.32% - Coal: 0.5% - Oil and oil products: 63.53% - Gas: 17.87% - Biofuels: 1.06% - Electricity: 16.7%	**135,390** of which: - Coal and charcoal: 0.07% - Coal: 0% - Oil and oil products: 13%-22% - Electricity: 86.7% **Part of local production exported: 50.41%**	**266,330** **24.9% of the total supply energy**	**1,068,180**

	Total local production	Total imports	Total exports	Nuclear fuels	Total supply energy incl. nuclear fuels
2019	**285,970** of which: - Wood: 15.46% - Hydro: 51.05% - Waste: 21.23% - Other renewables: 12.24%	**708,870** of which: - Wood and charcoal: 0.25% - Coal: 0.47% - Oil and oil products: 65.9% - Gas: 17.3% - Biofuels: 1.03% - Electricity: 14.98%	**148,880** of which: - Coal and charcoal: 0.07% - Coal: 0.006% - Oil and oil products: 24% -Electricity: 86.4% **Part of local production exported: 52.06%**	**275,780** **24.6% of the total supply energy**	**1,121,740**
2020	**287,010** of which: - Wood: 14.96% - Hydro: 50.94% - Waste: 21.06% - Other renewables: 13.02%	**621,380** of which: - Wood and charcoal: 0.31% - Coal: 0.53% - Oil and oil products: 63.21% - Gas: 19.2% - Biofuels: 10.9% - Electricity: 15.8%	**136,150** of which: - Coal and charcoal: 0.07% - Coal: 0% - Oil and oil products: 13.87% -Electricity: 86.05% **Part of local production exported: 47.44%**	**250,800** **24.5% of the total supply energy**	**1,023,040**

Source: Federal Office of Energy (FOE) (2021), *Overall Energy Statistics 2020*. Percentages calculated by the Secretariat.

4.74. Tables 4.8 to 4.11 detail the main trade partners for energy imports of Switzerland by source, except for nuclear fuels. For oil (Table 4.8), the supply is geographically diversified.

Table 4.8 Imports of petroleum oils, 2015-20

(CHF million, unless otherwise specified)

	2015	2016	2017	2018	2019	2020
HS 270900 Petroleum oils, crude						
World	1,184	930	1,136	1,620	1,300	897
% of total imports[a]	*0.7%*	*0.5%*	*0.6%*	*0.8%*	*0.6%*	*0.5%*
Nigeria	457	320	515	612	438	359
United States	135	153	16	0	135	293
Libya	81	21	135	386	289	136
Algeria	0	0	3	15	42	56
Kazakhstan	105	167	399	606	380	51

a Calculations based on "total business cycle" without gold bars, precious metals, coins, precious gems and stones, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS.

4.75. For import of gas (Table 4.9), the main item imported is natural gas in a gaseous state, and the main partner is Germany followed by other European member States, and then the Russian Federation whose share remains marginal.[43]

Table 4.9 Imports of gas, 2015-20

(CHF million, unless otherwise specified)

	2015	2016	2017	2018	2019	2020
HS 2711 Petroleum gases and other gaseous hydrocarbons						
World	1,098	852	967	1,152	1,230	765
% of total imports[a]	*0.7%*	*0.5%*	*0.5%*	*0.6%*	*0.6%*	*0.4%*
of which:						
HS 271121 Natural gas in gaseous state						
World	1,054	819	927	1,112	1,191	735
% of total imports[a]	*0.6%*	*0.5%*	*0.5%*	*0.6%*	*0.6%*	*0.4%*

[43] These statistics are based on the trade partners concerned and not on physical origin of the gas.

	2015	2016	2017	2018	2019	2020
Germany	671	551	585	647	700	363
France	174	123	162	194	347	243
Italy	34	22	53	129	84	75
Netherlands	176	122	99	113	27	42
Russian Federation	0	0	20	22	22	7

a Calculations based on "total business cycle" without gold bars, precious metals, coins, precious gems and stones, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS.

4.76. Imports of coal (Table 4.10) are marginal, the main provider being the Russian Federation.

Table 4.10 Imports of coal, 2015-20

(CHF million, unless otherwise specified)

	2015	2016	2017	2018	2019	2020
HS 2701 Coal; briquettes, ovoids and similar solid fuels manufactured from coal						
World	8.2	5.6	6.6	4.3	5.6	4.1
% of total imports[a]	*0.005%*	*0.003%*	*0.004%*	*0.002%*	*0.003%*	*0.002%*
Russian Federation	0.5	0.6	0.9	1.3	2.7	2.0
Germany	1.2	1.0	0.9	0.7	0.8	0.8
South Africa	5.1	1.5	3.0	0.0	0.7	0.5
Netherlands	0.0	0.8	0.0	0.3	0.1	0.3
China	0.0	0.1	0.0	0.0	0.1	0.1

a Calculations based on "total business cycle" without gold bars, precious metals, coins, precious gems and stones, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS.

4.77. Finally, for electricity imports (Table 4.11), the main partners are all EU member States, France being the first one of them.

Table 4.11 Imports of electrical energy, 2015-20

(CHF million, unless otherwise specified)

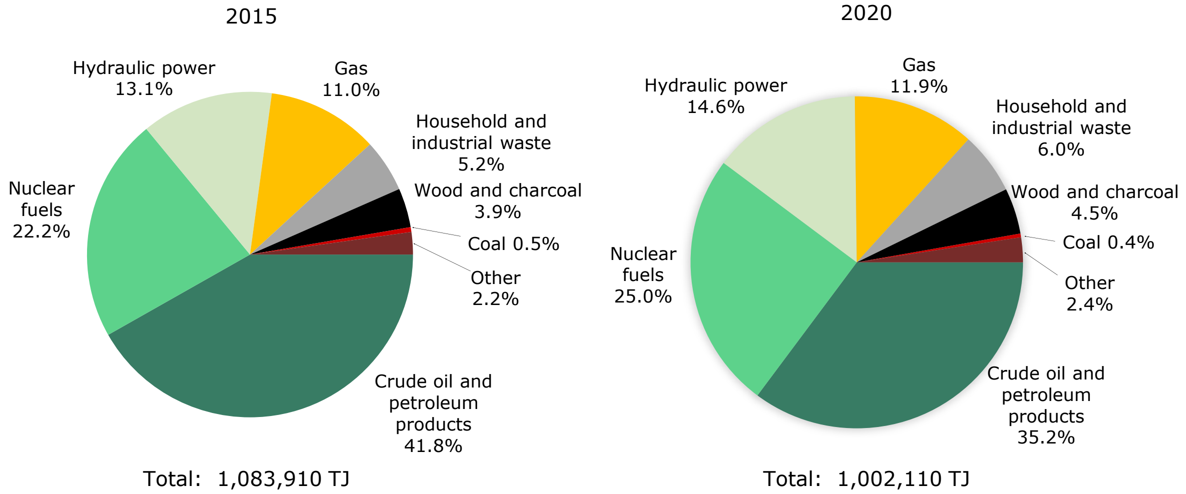
	2015	2016	2017	2018	2019	2020
HS 271600 Electrical energy						
World	1,798	1,531	1,719	1,789	1,387	1,254
% of total imports[a]	*1.1%*	*0.9%*	*0.9%*	*0.9%*	*0.7%*	*0.7%*
France	1,120	738	829	869	792	677
Germany	432	433	520	565	355	304
Austria	204	220	268	307	211	199
Italy	42	139	102	48	29	74

a Calculations based on "total business cycle" without gold bars, precious metals, coins, precious gems and stones, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS.

4.78. The overall energy consumption mix remained stable overall during the review period (Chart 4.2). One may note, though, an increase of 3 percentage points in nuclear power, as existing nuclear powerplants can continue to be exploited so long as they are safe; a slight increase of hydro, gas, wood and charcoal, household and industrial waste, and "other" (including solar and wind); and a neat regression of crude oil and petroleum products (minus 6.6 percentage points).

Chart 4.2 Gross energy consumption by source, 2015 and 2020



Note: TJ = terajoules.

Source: Federal Office of Energy (OFEN), Statistiques globales suisses de l'énergie 2020.

4.79. Table 4.12 describes for 2020 the transformation process of primary energy supply by the various types of power plants, district heating facilities, and refineries into secondary energy, i.e. electricity, district heat, and oil refined products.

4.80. As shown in Table 4.12, the totality of hydropower is used for electricity production, but the table understates the contribution of nuclear energy to the production of electricity.[44] The efficiency factor of this process is 33%. All imported crude oil is refined, but most of the resulting oil products are used essentially for purposes other than electricity generation, namely heating and transport, while the main use of gas is electricity generation and heating.

Table 4.12 Transformation process of primary energy supply, 2020

(Unit: TJ)

	Hydro power plants	Nuclear power plants	Classical thermal power plants and central heating facilities	Gas factories	Refineries	Various renewables	Energy consumed in the process of transformation and network losses	Non-energetic consumption
Wood			-3,300			-1,990		
Coal								
Waste			-48,960					
Crude oil					-123,230			
Oil products			-340		123,230		-5,890	-18,610
Gas			-7,420			1,330 [a]	-380	
Hydro	-146,220							
Nuclear fuels		-250,800						
Other renewables						-13,780		
Electricity	146,220	82,760	10,040			12,700	-31,140	
District heating		1,450	21,840				-2,200	
Total (losses)	0	-166,590	-28,140		0	-1,740	-39,630	-18,610

a Biogas input in the natural gas network.

Source: FOE (2021), *Overall Energy Statistics 2020*.

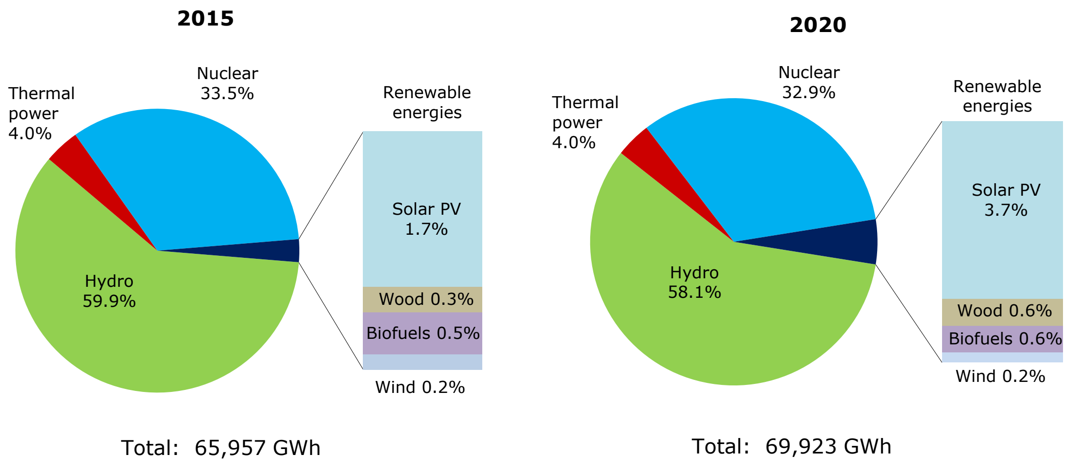
4.81. Switzerland's electricity supply to end-users is secured by more than 600 companies. Suppliers range from small regional utilities to international energy groups. Most of them are public

[44] Nuclear heat produced by fission is converted to electricity through steam turbines.

sector entities. Many of the municipal electricity works are also responsible for supplying water and gas.

4.82. Total electricity production grew by 6.01% during the review period (Chart 4.3). In terms of sources, a slight decline occurred in the relative shares of nuclear and hydro, which still provide the bulk of the production, while thermal remained stable at a low level (4.0%). The share of renewable energies nearly doubled (from 2.7% to 5.1%), essentially due to the progression of solar photovoltaic and marginally to wood and biofuels, while wind remained stable at a low level (0.2%).

Chart 4.3 Electricity generation by source, 2015 and 2020



Source: FOE (2021), *Overall Energy Statistics 2020*.

4.83. Table 4.13 describes the final energy consumption mix between households, industries, services, transport, and other uses measured in TJ for 2020. In total, transport was the first consumer with a relative share of 32.8%. Electric mobility is not (yet) included in the statistic. Electricity consumption (and associated losses) in transport is only recorded for rail transport broadly speaking, including mountain railways, ski lifts, trams, and trolleybuses. Households accounted for 29.3%, with their main consumption being electricity followed by oil and gas for heating. Industry (19.5%) and services (17.3%) come next, and both have a mix where electricity, followed distantly by gas or oil heating products, predominates.

Table 4.13 Final energy consumption, 2020

(Unit: TJ)

	Total final consumption	Households	Industry	Services	Transport	Statistical difference, including agriculture
Wood energy	39,480	17,100	11,720	9,700	n.a.	960
Coal	3,660	100	3,560	n.a.	n.a.	n.a.
Waste	11,510		11,510	n.a.	n.a.	n.a.
Refined products	327,830	59,470	11,680	27,600	226,720	2,360
Gaz	112,860	47,350	38,090	25,090	1,060	1,270
Other renewable energies	30,420	17,200	1,850	3,660	7,260	450
Electricity	200,570	69,470	60,070	57,630	10,080	3,320
District heating	21,070	8,340	7,120	5,610	n.a.	n.a.
Total	747,400	219,030	145,600	129,290	245,120	8,360

n.a. Not applicable.

Source: FOE (2021), *Overall Energy Statistics 2020*.

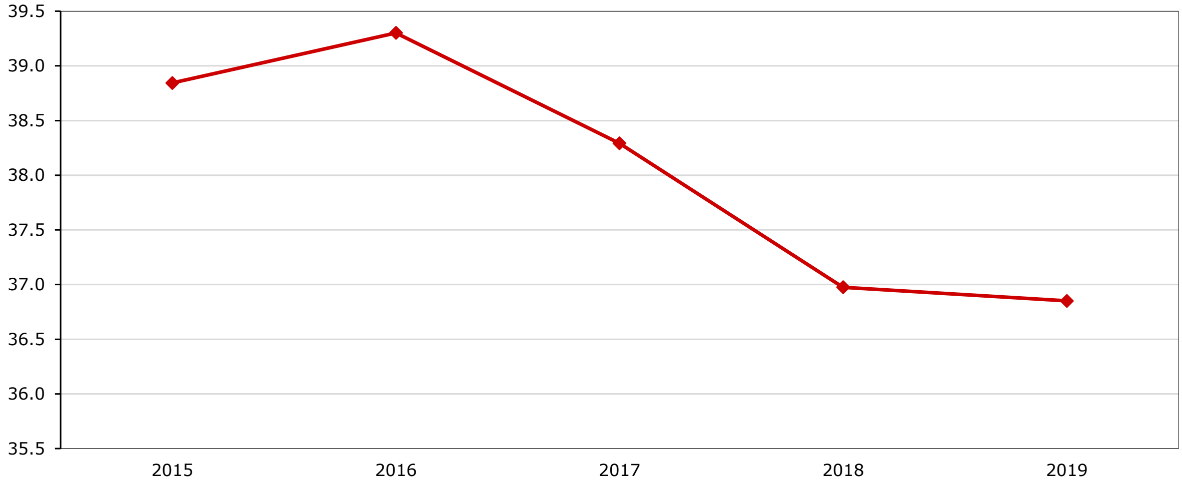
4.2.2.1.2 Policy developments

4.2.2.1.2.1 Environmental issues

4.84. Between 2015 and 2019, the level of CO_2 emissions (Chart 4.4) declined by 4.9%, from 38.8 million tonnes CO_2 in 2015 to 36.9 million tonnes in 2019. This shows a decoupling of CO_2 emissions from GDP. While progress in decoupling has slowed, the OECD underlines that "among OECD countries Switzerland gets closest in aligning the prices of CO_2 emission".[45] The share of CO_2 emission priced above EUR 60, a midpoint estimate of the carbon cost, has increased since 2020, notably in the housing sector. Industrial emissions are priced above the EUR 60 benchmark for the first time in 2021.

Chart 4.4 Total CO_2 emissions, 2015-19

(Million tonnes)



Note: Without international aviation, international navigation, Land Use, Land use Change and Forestry (LULUCF), and Sector 6 (system boundaries according to the Kyoto Protocol).

Source: Federal Office for the Environment, *Switzerland's Greenhouse Gas Inventory*.

4.85. The energy policy followed by Switzerland during the period under review and planned for the future finds its root in a decision taken by the Federal Council and the Federal Assembly in May 2011 in the wake of the Fukushima reactor disaster to progressively abandon nuclear energy and to promote energetic efficiency and renewable energy. In this regard, a new energy strategy was adopted, the Energy Strategy 2050.[46] The Strategy has resulted in the complete revision of the Federal Energy Law (RS 730.0), which was adopted by the Federal Assembly in September 2016 and approved by the Swiss electorate in May 2017, and entered into force in January 2018. There have also been important revisions of legislation in the field of electricity.

4.86. Since the new Energy Law was drafted to a large extent before the period under review, its then future provisions were described extensively in the previous TPR report.[47] However, some of its elements have been prolonged or amended. Its main elements consist of:

- Setting indicative consumption, production, and emissions targets: compared to that of 2000, energy consumption per capita should diminish by 16% in 2020 and 43% in 2035, and consumption of electricity per capita by 3% in 2020 and by 13% in 2035. The local

[45] OECD (2019), *OECD Economic Surveys: Switzerland,* p. 23. Because of its lower energy intensity and almost carbon-free production of electricity, Switzerland's GDP carbon intensity is low compared to other OECD countries. Ibid.

[46] FOE, "What is the Energy Strategy 2050?" Viewed at: https://www.bfe.admin.ch/bfe/en/home/policy/energy-strategy-2050/what-is-the-energy-strategy-2050.html. The Energy Strategy 2050 is under permanent review and will be selectively adapted and expanded.

[47] WTO document WT/TPR/S/355/Rev.1, 22 September 2017, paras. 4.57-4.62.

production of electricity from renewable energies (discounting hydropower) starting from a 2015 baseline of 2,830 GWh should rise to 4,400 GWh in 2020 and 11,400 GWh in 2035;

- Creating stricter standards of energy efficiency for buildings, machines, vehicles, and other equipment; introducing new energy labels; and extending publicity campaigns and vocational training programmes on energy efficiency;

- Increasing the grid surcharge rate (paid by consumers to foster renewable energies) from CHF 0.015/kWh to CHF 0.023/kWh, including CHF 0.013/kWh for feed-in tariffs for renewables, CHF 0.002/kWh for investment aid for rooftop photovoltaic systems, CHF 0.003/kWh for support for large hydro (which is suffering from depressed European wholesale prices), CHF 0.002/kWh for reimbursement of the grid surcharge to electricity-intensive industries, and CHF 0.001/kWh for renaturation of rivers;

- Replacing the previous feed-in system with feed-in premiums to entice producers to sell their electricity when demand is high, giving them an incentive to sell electricity when it is in short supply and thus to fetch higher prices. This system is of limited duration, as it will only be granted for up to five years after the coming into force of the new law. These feed-in premiums are going to expire by the end of 2022. No new plants are going to be granted feed-in premiums but plants in the feed-in premiums system are going to receive their remuneration until the end of their remuneration period (15-20 years).

- Extending the so-called "one-off investment grants" (30% maximum of the investment compared to a "reference" installation) to new beneficiaries: photovoltaic installations of more than 30 kW, large new hydro-electric power stations with a production capacity of more than 10 MW, and large-scale renewals or extensions of hydro-electric power stations, the financing of this measure being ensured by a network supplement paid by electricity consumers. These subsidies will be available until 2030 at the latest. The one-off investment grants were extended to other technologies starting 1 January 2018, since the feed-in premiums were about to phase out. According to the current law, the following renewable plants are eligible for investment grants until the end of 2030:

    - Large-scale hydropower (>10 MW) plants; up to 40% of investment costs;

    - Renewed and refurbished small-scale hydropower plants up to 60% of investment costs (exclusion of smallest plants <300 kW);

    - Biomass (sewage gas, incineration plants, wood-fired power plants); up to 20% of investment costs;

    - Photovoltaics (2 kW-50 MW); up to 30% of investment costs; and

    - Contribution for "seek and find" for geothermal plants.[48]

4.87. The 2018 Federal Energy Law also instituted a specific support regime for loss-making hydro power plants within a limited financial envelope, time frame (five years and financed by a network supplement paid by electricity consumers), and subject to a cap. The support is going to be phased out by the end of 2030. The support only applies if the electricity prices are too low to cover the costs. It also contained various provisions for shortening and simplifying approval procedures for new installations for the production of electricity from renewable sources. Since 1 January 2018, the use and continued expansion of renewable energy have been proclaimed to be in Switzerland's national interest.

4.88. Switzerland's initial Nationally Determined Contribution (NDC) under the Paris Agreement was a reduction of 50% of its greenhouse gas (GHG) emissions by 2030 compared to 1990 levels. The Federal Council announced the objective of climate neutrality in 2050 in August 2019.[49] On

[48] As from 1 January 2023, the eligibility for investment grants will be extended to all renewable technologies until 2030. The proposal submitted by the Federal Council in June 2021 for a revision of the Energy Law provides for a further extension of investment grants until 2035.

[49] Federal Council (2019), "Federal Council Aims for a Climate-Neutral Switzerland by 2050", 28 August.

9 December 2020, Switzerland updated its NDC by committing to reduce GHG emissions by "at least 50%" by 2030 compared to 1990 levels and by committing to climate neutrality by 2050.[50] This objective was to be reached by a total revision of the CO_2 Law adopted by the Federal Assembly on 25 September 2020. This revised law would inter alia have provided for the possibility for the Federal Council to raise the CO2 tax and introduce a new tax on plane tickets.

4.89. Following the rejection by the Swiss population in June 2021 of this proposed revision of the CO_2 Law, a partial amendment was adopted in December 2021 in order to temporarily prolong some limited and unchallenged measures of the CO_2 Law and to avoid a legal void.[51] The measures that will be prolonged for three more years (2022-24) include the maintenance of emission targets for greenhouse gases (i.e. a reduction of 20% in 2020 compared to the 1990 basis and an annual reduction of 1.5%, three quarters of these reductions being realized in the Swiss territory (as opposed to compensations made abroad)) and the obligation for fuel importers to offset CO_2 emissions, in part, by investing in projects for climate protection. As before, importers will be allowed to pass on the tax up to CHF 0.05 per litre to consumers and will continue to have their tax reimbursed if they pledge to diminish their emissions by an additional 2% per year. Tax rebates on natural gas, liquid gas, and bio-fuels are also maintained until 2024.

4.90. In December 2021, the Federal Council submitted for public consultation a new comprehensive revision of the CO_2 Law for the period 2025-30. This proposed revision contains the following main new measures: (i) funding for removing fossil heating systems; (ii) lowering of the emission ceilings for new cars and new trucks sold on the Swiss market to be similar to the ceilings applied by the European Union; (iii) funding for new charging infrastructure for electric vehicles; (iv) blending obligations for aviation fuel suppliers similar to the obligations applied by the European Union; (v) crediting of carbon capture and storage in the emissions trading scheme; and (vi) reporting requirements of the financial risks of climate change for the Swiss National Bank (SNB) and the financial supervisory authority. Contrary to the version of the CO2 law that was rejected in June 2021, the new draft submitted by the Federal Council in December does not provide for new taxes.

4.2.2.1.2.2 Electricity

4.91. Switzerland both imports and exports electricity (Table 4.7). It exports electricity in the summer and imports it in winter to cover usage peaks and to balance seasonal variations. The gap between winter peak demand and domestic power generation has increased in recent years, and electricity imports have accounted for a growing share of Switzerland electricity demand in recent winters. This is a trend that is likely to continue with the phase-out of nuclear power.[52]

4.92. From a geographical and technical point of view, Switzerland is deeply integrated in the European electricity network. The electricity flows passing through its borders exceed the country's production and consumption. Switzerland is third to Germany and France in its importance as a major electricity transit country. Switzerland's extensive hydro-pumped storage and reservoir capacity are of strategic importance to the European Union. The country is instrumental in supporting the growing share of variable renewable electricity in Europe and contributing to ensuring grid stability by offering balancing services.[53]

4.93. Still, there is no formal agreement between the European Union and Switzerland on electricity and, according to the authorities, conclusion of such an agreement is unlikely in the foreseeable future, as negotiations on an Institutional Framework Agreement (IFA) ended unsuccessfully in May 2021 and the European Union had made the Electricity Agreement conditional on the IFA.

4.94. The IEA describes the effects of the absence of such an agreement in the following manner:

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[50] Switzerland submitted a further update of its NDC in December 2021. *Switzerland's Intended Nationally Determined Contribution (INDC) and Clarifying Information*. Viewed at: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Switzerland%20First/Swiss%20NDC%202021-2030%20incl%20ICTU_December%202021.pdf. On climate change policy, see Federal Council (2021) *Switzerland's Long-Term Climate Strategy.*

[51] Federal Law on the Reduction of Greenhouse Gas Emissions – Modification of 17 December 2021.

[52] IEA (2018), *Energy Policies of IEA Countries: Switzerland 2018 Review*, p. 67.

[53] IEA (2018), *Energy Policies of IEA Countries: Switzerland 2018 Review*, Box 2.1, p. 29.

Electricity trading continues, albeit in a suboptimal way and to the detriment of all market participants, as EU network codes and guidelines have successively been introduced since August 2015. EU regulation on capacity allocation and congestion management, forward capacity allocation and balancing explicitly excludes Switzerland from market coupling for the day-ahead and intraday markets, until the country adopts EU legislation on electricity and signs a bilateral agreement with the European Union. Furthermore, the introduction of flow-based market coupling with no computation of network capacity at the Swiss borders has massively increased uncontrolled loop flows.

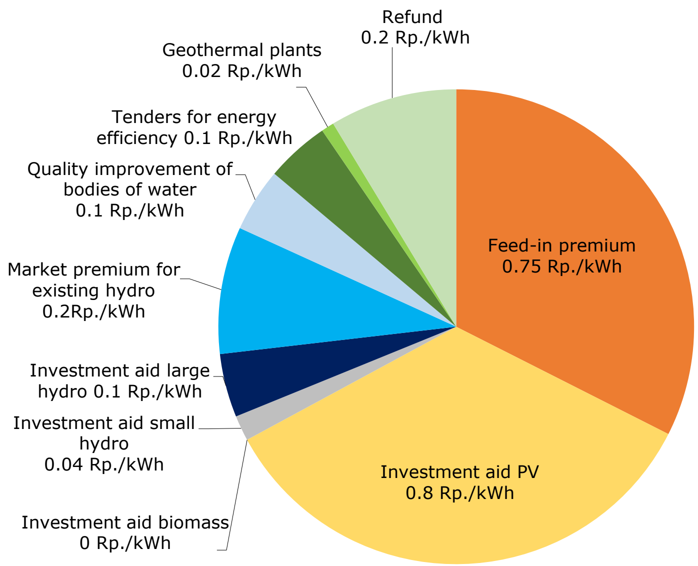
In 2016, the social welfare loss at the Swiss border from suboptimal trading due to the exclusion from market coupling was estimated at around 80 million euros.[*] Those losses might increase in the future as additional network codes become effective, and Switzerland would be excluded from an expanding area of co-operation.[54]

Source: Information provided by the Swiss Federal Office of Energy.

[*original] ACER (Agency for the Cooperation of Energy Regulators) (2017), "Annual report on the results of monitoring the internal electricity and gas markets in 2016", Electricity Wholesale Market Volume (Slovenia), www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Market%20Monitoring%20Report%202016%20-%20ELECTRICITY.pdf.]

4.95. A notable regulatory development was the increase of the grid surcharge at CHF 0.023/kWh on 1 January 2018. The current law foresees a maximum grid surcharge of CHF 0.023/kWh and currently the maximum is being charged to the consumers. The shares and the measures financed by the grid surcharge are described in Chart 4.5.

Chart 4.5 Types of plants and measures financed by the grid surcharge



Source: Information provided by the authorities.

4.96. Switzerland is one of the signatories of a declaration of intent on the prevention of crisis in the electricity sector, which was adopted in December 2021 at a ministerial meeting of the Pentalateral Energy Forum.[55] According to the Federal Department of the Environment, Transport, Energy and Communications (DETEC), this declaration opens the way to the development of solidarity measures that could be put in place at the regional level in case of a crisis on the basis of

[54] IEA (2018), *Energy Policies of IEA Countries: Switzerland 2018 Review*.

[55] Memorandum of Understanding of the Pentalateral Energy Forum on Risk Preparedness in the Electricity Sector. This Forum consists of Austria, Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland.

an EU regulation on risk-preparedness in the electricity sector.[56] The form of the cooperation among these countries remains to be negotiated, particularly the inclusion of Switzerland.

4.97. Within the framework of the Electricity Networks Strategy, a new Federal Law on the Conversion and Expansion of the Electricity Grid was adopted. It improves the framework conditions and thus the prerequisites for the optimization and necessary development of the electricity networks that meet demand within the required time frame.[57] Thew new law provides for amendments to Federal Electricity Law (RS 734.0), the Federal Electricity Supply Law (RS 734.7) and to a number of related ordinances. Most of the provisions of the new laws and ordinances entered into force on 1 June 2019.

4.98. In June 2021, the Federal Council adopted a dispatch on the Federal Law on a Secure Electricity Supply from Renewable Energy Sources[58], through which it is proposing to revise the Energy Law and the Electricity Supply Law. In submitting this bill, the Federal Council's aim is to support a transition to a sustainable and climate-friendly energy system while at the same time ensuring a high level of security of supply. The Federal Council considers that large-scale electrification is needed in transport and heating if Switzerland is to meet the goals of its Energy Strategy 2050 and its Long-Term Climate Strategy, which calls for a rapid and substantial increase in the use of renewables in domestic power generation. Further measures are also needed to improve grid and supply security. The proposed legislation will thus create a legal basis for greater planning certainty and incentives to invest in expanding renewable electricity production and grid integration.[59]

4.99. Regarding the structure of the electricity market and its reform, the bill submitted by the Federal Council in June 2021 proposes to fully open the electricity market to individual consumers and households to strengthen decentralized renewable power generation and facilitate new models (such as energy communities or so-called "prosumers") and to improve the regulation of the electricity networks. It also proposes new targets regarding renewable electricity production, hydropower production, and energy consumption:

- New renewable electricity production (without hydropower): target of 17 terawatt-hours (TWh) by 2035; indicative target of 39 TWh by 2050;

- Hydropower production: target of 37.4 TWh by 2035; indicative target of 38.6 TWh by 2050; and

- Energy consumption: target of -43% compared to 2000 for 2035 and -53% for 2050. Electricity consumption: target of -13% compared to 2000 for 2035 and -5% for 2050 (because of higher electricity demand in order to reach the zero emissions target, the electricity efficiency target for 2050 is by only 5% compared to 2000).

4.2.2.1.2.3 Nuclear energy

4.100. The 21 March 2003 Nuclear Energy Law (RS 731.2) was amended in 2016 by Annex No. II 7 of the Energy Law of 30 September 2016, which entered in force on 1 January 2018, in two respects. The first amendment creates a full ban on new nuclear power plants. Under the new law, no permits for the construction of nuclear power plants or any basic changes to existing nuclear power plants will be delivered. The existing nuclear power plants may operate for as long as they remain safe, as determined by the Federal Nuclear Safety Inspectorate, an independent authority of the Confederation. The second amendment bans the reprocessing of spent fuel. In 2003, the Federal Assembly passed a moratorium on the export of spent fuel rods for the purpose of reprocessing.

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[56] Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on Risk-Preparedness in the Electricity Sector.

[57] FOE, "New Framework Conditions for Developing the Network". Viewed at: https://www.bfe.admin.ch/bfe/en/home/supply/electricity-supply/electricity-networks/grid-development-electricity-grid-strategy.html.

[58] Federal Council, "Federal Act on a Secure Electricity Supply from Renewable Energy Sources". Viewed at: https://www.bfe.admin.ch/bfe/en/home/supply/electricity-supply/federal-act-renewable-electricity-supply.html.

[59] Federal Council, "Federal Act on a Secure Electricity Supply from Renewable Energy Sources".

This law was in force until June 2016. Under the new legislation, the export of spent fuel rods for reprocessing is banned indefinitely.

4.2.2.1.2.4 Renewable energies (including hydropower)

4.101. Aside from the changes to the regulatory and support regime for renewable energies instituted by the 2018 Energy Law and described above (Section 4.2.2.1.2.1), the main development during the review period was the launch of a significant reform of the support regime through the Federal Council's proposal on the Federal Act on a Secure Electricity Supply from Renewable Energy Sources (Section 4.2.2.1.2.2).

4.2.2.1.2.5 Oil

4.102. The liberal regime of crude oil importation and of refined products importation, production, and distribution did not change during the period under review.

4.103. The Cressier plant, the only refinery left in Switzerland and which belongs to the Dutch-based Varo Energy, is *de facto* the only importer of crude oil and the only local producer of refined products. It is supplied with crude oil by one cross-border pipeline owned also by Varo Energy; it has a production capacity of 68,000 barrels per day and it provides about one quarter of the refined products consumed in Switzerland.

4.104. 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 CARBURA, the association of importers of petroleum products. Imports are subject to a levy to fund the scheme (guarantee fund contributions). Swiss compulsory stockpiling of petroleum products exceeds the IEA minimum stock obligation. According to CARBURA's latest available report (2020)[60], Switzerland has not suffered from any oil supply shortage during the COVID-19 pandemic to date.

4.105. CARBURA attributes in the name of the Government "general import permits" for the importation of fuels and similar products subject to the stockpiling obligations. The list of those of products is defined in an ordinance that was revised in May 2017.[61] The ordinance does not contain any nationality or ownership requirement for importing companies, but these companies have to be registered in Switzerland. The other conditions for the attribution of permits are purely technical.[62]

4.106. Finally, regarding distribution of refined products and filling stations, the retail market is fully open to competition and several foreign-owned firms operate on the Swiss market.

4.107. Switzerland is also a major global hub for oil trading.

4.2.2.1.2.6 Gas

4.108. Switzerland has more than 100 gas utilities, the vast majority of which are akin to the electricity utilities and are typically locally dominant companies owned by municipalities. They are also often involved in other activities, such as supplying electricity, heat, or water. The utilities vary greatly in size. Vertical integration in gas transmission and distribution is strong. For purchasing gas, the local utilities have set up four regional associations: Gasverbund Mittelland AG, Erdgas Ostschweiz AG, Gaznat SA, and Erdgas Zentralschweiz AG (EGZ). Each association operates its own high-pressure grid and supplies gas to its owners at cost. The associations, in turn, obtain gas at cost through Swissgas AG, the gas industry's vehicle for imports, or purchases it on their own at European wholesale gas markets. Except for EGZ, the regional associations also have direct import contracts with foreign suppliers.

4.109. Until now, the gas market was largely self-regulated. The 1963 Law on Pipelines only foresaw an obligation to carry. Pipeline managers had only an obligation to execute transport contracts for

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[60] CARBURA (2020), *Annual Report*. Viewed at: https://epaper.cubemedia.ch/Carbura/Geschaeftsbericht_2020_FR/#page=1.

[61] Ordinance of 10 May 2017 on the Stockpiling of Liquid Fuels (RS 531.215.41).

[62] For the details of the conditions of attribution of the three types of permits, see: CARBURA, *General Import Permits (GIP)*. Viewed at: https://www.carbura.ch/fr/permis-generaux-dimportation-pgi.

third parties within the limits of technical possibilities and of sound management and in as much the requesting third party offered a proper remuneration. In case of dispute, either the FOE decides on a case-by-case basis that the distributing company must conclude a contract and decides on the contract conditions or the Commission Competition (COMCO) can impose the right to transport basing itself on cartel laws. Until now, there was not a uniform framework applied nationally, and thus various supply conditions for third parties applied in four different supply zones and access to networks were decided on a case-by-case basis.

4.110. However, this situation changed towards the end of the period under review due to a 2020 decision by COMCO to open the market in central Switzerland and perhaps in the rest of the territory in the future.[63] In addition, the Federal Council put into consultation between October 2019 and February 2020 a bill of a law on gas supply[64], whose main provisions are:

- free choice of the provider for customers above 100 MW/h (the same threshold as the present one for electricity), i.e. 10% of consumers located in 40,000 sites and representing 70% of the consumption;
- separating the accounts of the monopoly activities (network) from those of activities subject to competition;
- institution of an independent market area manager to allocate capacities;
- creation of an "entry-exit" system (i.e. single point of entry, single point of exit) consistent with the EU internal gas market framework (i.e. the Gas Directive, the Gas Regulation, the Regulation establishing the Agency for Cooperation of Energy Regulators (ACER), and the Network Code Regulations), which will facilitate cross-border trade;
- transformation of the Electricity Commission into an Energy Commission with jurisdiction over gas regulation; and
- two possible systems for measurement, one fully competitive and one where measurement would be left to the network operators.

4.2.2.2 Liechtenstein

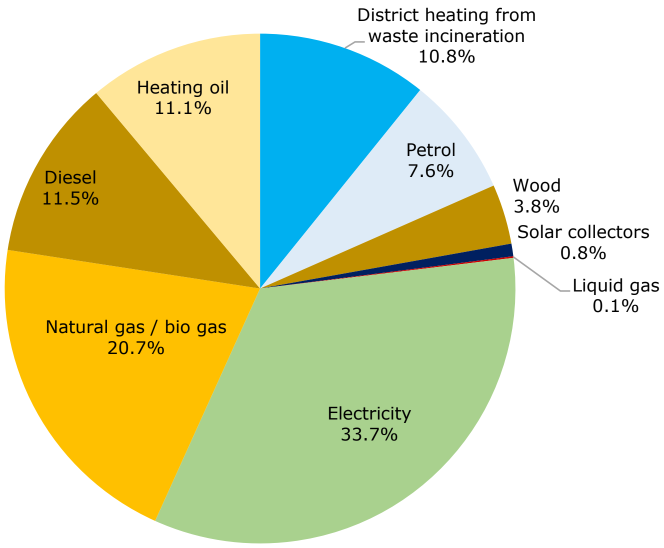
4.111. Electricity is the main energy source in Liechtenstein (Chart 4.6), accounting for roughly one third of total energy consumption, followed by natural gas (20.7%) and diesel (11.5%).

4.112. The state-owned Liechtensteinische Kraftwerke (LKW) is a producer and importer of electricity, mainly from Switzerland, for distribution in Liechtenstein. Liechtenstein's energy needs in 2020 were largely met through imports (75%). Liberalization of the electricity market, based on European Economic Area (EEA) law, started with the adoption of a new Electricity Law in 2002, which opened the market for large customers. The market is now fully liberalized. Besides LKW, four other electricity traders are currently active within the electricity market. Those four traders together have a market share of 7.9%. In order to be active on the electricity market, the electricity trader is not required to have an establishment in Liechtenstein but has to be registered at Swissgrid AG. Transmission tariffs are subject to approval by the regulator, the Energy Market Commission. The current Electricity Market Act[65] implements EC Directive 2009/72 (third energy package for electricity).

4.113. 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 small-scale hydroelectric power producers besides LKW, and the contribution of independent solar power producers has been increasing.

[63] COMCO (2020), "La COMCO ouvre le marché du gaz en Suisse centrale", 4 June.
[64] DETEC (2019), "Le Conseil fédéral ouvre la consultation relative à la loi sur l'approvisionnement en gaz", 30 October.
[65] Law of 20 June 2002 on the Electricity Market, as amended (LR 730.3).

Chart 4.6 Energy consumption, 2020



Source: Office of Statistics Liechtenstein, eTab, *Energy Statistics 2020*.

4.114. The Energy Strategy 2020 was passed in 2012. It included the following goals for the period up to 2020:

- increasing energy efficiency by 20% to stabilize consumption compared to expected consumption without efficiency measures;
- increasing the proportion of domestic renewable energy sources to 20% of total energy requirements; and
- reducing greenhouse gas emissions by 20% compared to 1990.

4.115. Numerous measures have been implemented and incentives created to use renewable energy sources (e.g. financial subsidies for renewable energy sources like photovoltaic systems, heat pumps, district heating, improved building insulation, and building certificates like MINERGIE-A). In addition to state subsidies, the municipalities also made an important contribution through their own measures including subsidies and energy consulting. All municipalities in Liechtenstein are certified by the European Energy Award and set measures to improve the energy efficiency of their own buildings.

4.116. The Government designed a new Energy Strategy 2030 & Energy Vision 2050, which was adopted in 2020. Its objective is to increase the share of renewable energies from 8.2% in 2008 to 30% by 2030, through subsidies for improved insulation, sun-collectors, photovoltaic systems, and tighter energy standards in construction. Liechtenstein has implemented a new seven-year feed-in tariff scheme, which ends in December 2022. There is an ongoing study to replace and extend the existing system, with a new goal for photovoltaic, where the Government and the Federal Assembly want to double the installed photovoltaic capacity from 2.5 MW p/a to a minimum of 5.0 MW p/a until 2030.

4.117. Liechtenstein has a CO_2 law[66] that directly derived from the Swiss CO_2 Law, and which applies the same rates. However, unlike in Switzerland, the revenues of this tax go to the general budget and are not specifically allocated to public health spending.

4.118. In addition to the CO_2 Law and the 2012 Law on Emissions Trading, the environmental aspects of Liechtenstein's energy policy are also governed by its commitments under the Paris

[66] Law of 6 September 2013 on the Reduction of CO_2 Emissions (LR 814.065).

Agreement. The 2015 initial NDC of Liechtenstein was a reduction of 40% of its greenhouse gas emissions by 2030 compared to 1990 levels.[67] This NDC still stands.

4.3 Manufacturing

4.3.1 Switzerland

4.119. Switzerland remains one of the most industrialized countries among developed countries, thanks largely to its orientation towards high-end products and good framework conditions, notably regarding education and training, infrastructure, R&D, and taxation. The contribution of manufacturing to GVA (Table 4.14) even increased during the period under review, from 18.3% in 2016 to 18.7% in 2019-20 and was not affected by the COVID-19 pandemic in 2020.

4.120. Chemicals and pharmaceuticals are the largest subsector within manufacturing, and the pharmaceutical industry is the largest category within this subsector (Table 4.14). The contribution to GVA of chemicals and pharmaceuticals as a whole rose from 5.7% in 2016 to 6.6% in 2020 and the contribution to GVA of pharmaceuticals increased from 4.7% in 2015 to 5.2% in 2019. Computers, electronics, watches and clocks is the second largest subsector, and its contribution to GVA grew only slightly from 3.2% in 2016 to 3.3% in 2019. Machinery and equipment, a traditional specialty of Switzerland and its third largest subsector, declined slightly during the period (from 1.8% in 2016 to 1.7% in 2019), while the fourth largest sector, fabricated metal products, grew from 1.4% to 1.5%.

Table 4.14 Contribution to GVA of the various manufacturing subsectors, 2016-20

	2016	2017	2018	2019	2020
GVA share (% of total GVA)					
Manufacturing	18.3	18.4	18.5	18.7	18.7
Food and tobacco products	1.9	1.9	1.7	1.8	..
Textiles and apparel	0.2	0.2	0.2	0.2	..
Wood and products of wood and cork, except furniture	0.5	0.5	0.5	0.5	..
Paper and paper products	0.1	0.1	0.1	0.1	..
Printing and reproduction of recorded media	0.3	0.3	0.2	0.2	..
Chemicals and pharmaceuticals	5.7	6.0	6.3	6.5	6.6
Coke, chemicals and chemical products	1.1	1.0	1.2	1.2	..
Pharmaceutical products	4.7	5.0	5.1	5.2	..
Rubber and plastic products	0.4	0.4	0.4	0.4	..
Other non-metallic mineral products	0.4	0.4	0.3	0.3	..
Basic metals	0.2	0.2	0.2	0.2	..
Fabricated metal products, except machinery and equipment	1.4	1.5	1.5	1.5	..
Computer, electronic and optical products; watches and clocks	3.2	3.1	3.3	3.3	..
Electrical equipment	0.8	0.7	0.7	0.7	..
Machinery and equipment n.e.c.	1.8	1.8	1.8	1.7	..
Motor vehicles, trailers and semi-trailers	0.1	0.1	0.1	0.1	..
Other transport equipment	0.3	0.3	0.3	0.3	..
Furniture; other manufactured goods	0.7	0.7	0.7	0.7	..
Repair and installation of machinery and equipment	0.2	0.2	0.2	0.3	..

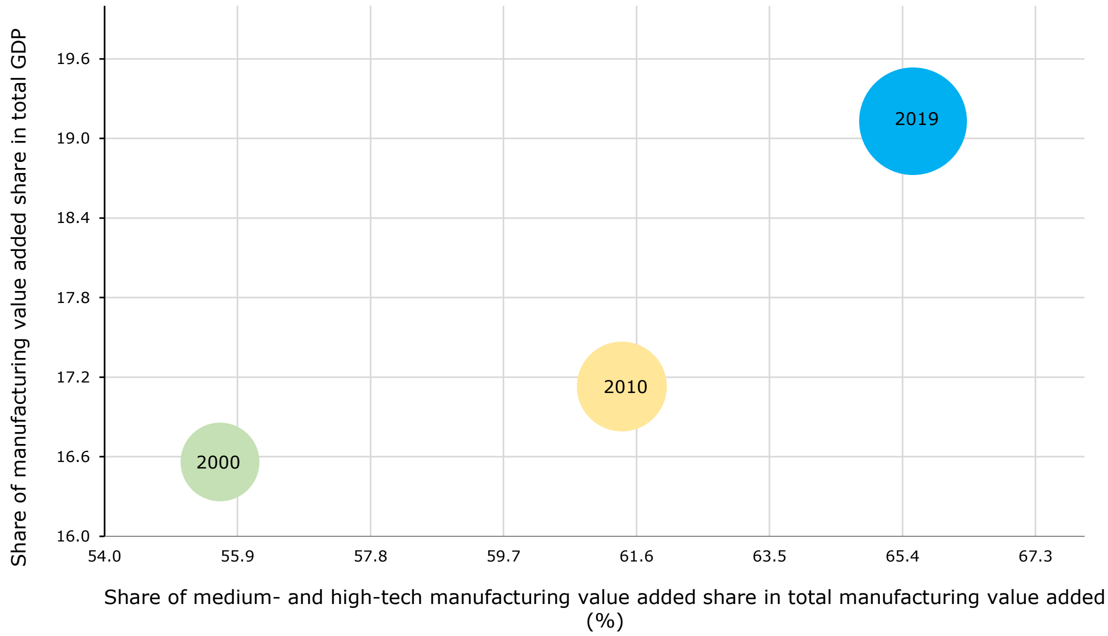
.. Not available.

Source: Federal Statistical Office (FSO), *Production Account*.

4.121. There has been a long-term trend within Swiss manufacturing towards an increasing share of high-end products, as illustrated by UNIDO's Competitive Industrial Performance Index (Chart 4.7).

[67] *Liechtenstein's Intended Nationally Determined Contribution*. Viewed at: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Liechtenstein%20First/150422_INDC_FL.pdf.

Chart 4.7 Production structure



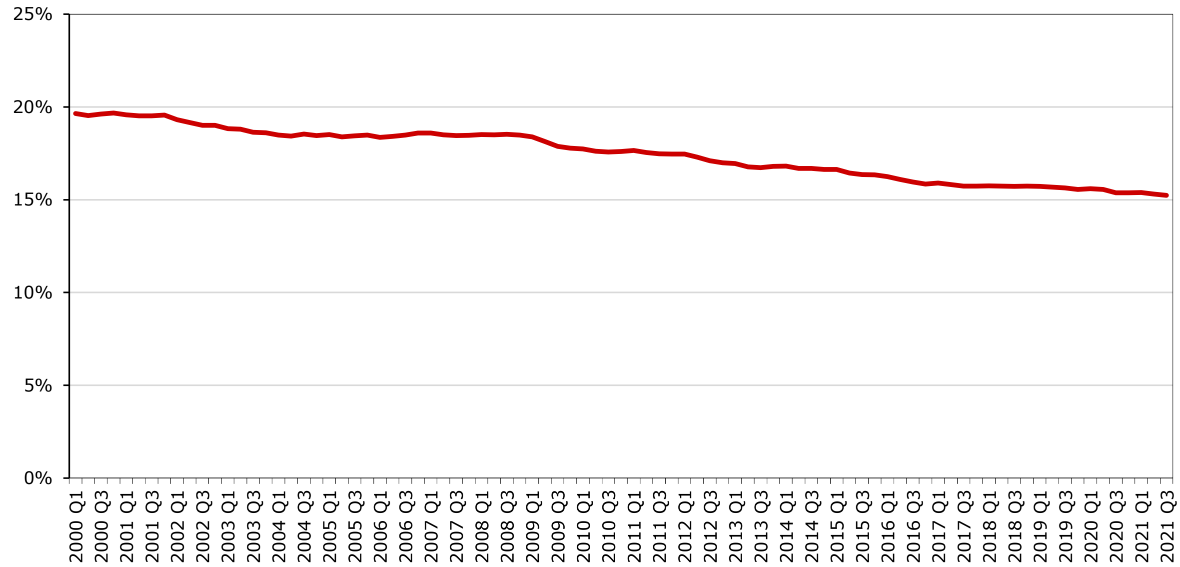
Source: UNIDO, Competitive Industrial Performance Index (CIP), Switzerland. Viewed at: https://stat.unido.org/cip/#.

4.122. The Swiss industry is highly productive, and its contribution to employment (Table 4.15) is significantly lower than its contribution to GVA (Table 4.14). This is particularly true for pharmaceuticals, which in 2019 accounted for 1.1% of employment and 5.2% of GVA.

4.123. The negative impact of the COVID-19 pandemic on employment was very much limited in Switzerland through the use of short-time work. The manufacturing industry also used short-time work to a large extent, but was less dependent on it compared to sectors such as the hotel and restaurant industry. There were no COVID-19-specific developments in the employment shares in 2020 and 2021. The full-time equivalent employment share of manufacturing fell from 15.6% to 15.2% between Q3 2019 and Q3 2021 (Chart 4.8).

Chart 4.8 Employment share of manufacturing, 2000-21

(% of total employment)



Note: Based on jobs in full-time equivalents.

Source: GSO, *Job Statistics.*

4.124. The contribution of manufacturing to total employment declined during the period under review from 15.8% in 2015 to 15.4% in 2020 (Table 4.15). The largest employers after pharmaceuticals are the subsectors of computer, electronic and optical products; watches and clocks (2.6% in 2020), followed by metal products (2.2% in 2020), and food and tobacco products (1.9%).

Table 4.15 Contribution to employment of the various manufacturing subsectors, 2016-21

	2016	2017	2018	2019	2020	2021 (Q3)
Jobs in full-time equivalents (% of total)[a]						
Manufacturing	15.8	15.7	15.7	15.6	15.4	15.2
Food and tobacco products	2.0	1.9	1.9	1.9	1.9	1.9
Textiles and apparel	0.3	0.3	0.3	0.3	0.3	0.3
Wood and paper products, and printing	1.6	1.6	1.5	1.4	1.4	1.4
Coke, chemicals and chemical products	0.7	0.7	0.7	0.7	0.7	0.7
Pharmaceutical products	1.1	1.1	1.1	1.1	1.1	1.1
Rubber and plastics products	1.0	1.0	0.9	0.9	0.9	0.9
Metal products	2.3	2.3	2.3	2.3	2.2	2.2
Computer, electronic and optical products; watches and clocks	2.5	2.5	2.7	2.6	2.6	2.6
Electrical equipment	0.8	0.8	0.8	0.7	0.7	0.7
Machinery and equipment n.e.c.	1.9	1.9	1.9	1.8	1.8	1.8
Transport equipment	0.4	0.4	0.4	0.4	0.4	0.4
Other manufacturing, repair and installation	1.3	1.2	1.2	1.2	1.2	..

.. Not available.

a Based on Q4 for each year.

Source: FSO, *Businesses and Employment*.

4.125. The structure of Swiss industrial exports is described in Section 1.

4.126. Switzerland has no industrial sectoral policy *per se,* which stems from a deliberate decision and is a constant policy. For instance, the 2014 report of the EAER in answer to Postulate Bischof 11.3461, entitled "An Industrial Policy for Switzerland", states, after a long analysis of the concept of industrial policy and of foreign experiences, that:

> [A]s shown by the present analysis, in view of the difficulties to which the State is confronted to select branches or companies, it has become increasingly clear abroad that an industrial policy (in particular in the meaning of a policy aimed at promoting industry) should be based on framework conditions that favour competitivity is much superior and yield much better results. Such a policy targets directly the problems of productivity that hamper certain sectors et promote, *inter alia*, access to qualified workers, knowledge transfer, framework conditions favouring companies and infrastructures. However, its essential that all branches can access to economic promotion measures so as to not inflict the burden on the State to select some companies or branches but so as to allow performing competitors to succeed on the market.[68]

4.127. This "branch neutrality" policy has been reaffirmed recently in an answer to a 2020 parliamentary postulate aiming at branches' specific innovation incentives (Postulate Franz No. 20.4187).[69]

4.128. According to a report published in October 2021 by the employers' organization Avenir Suisse[70], the COVID-19 pandemic had mixed and differentiated effects on the Swiss industry. On the one hand, the global economic crisis negatively affected the Swiss exports, in particular machines, electronic equipment, and metals, but the pharmaceuticals and food sectors grew, and for watches the high-end products progressed while the rest regressed. Telework was a challenge,

[68] Unofficial translation by the Secretariat. EAER (2014), *Rapport du 16 avril 2014 faisant suite au Postulat Bischof (11.3461)*. Viewed at: https://www.newsd.admin.ch/newsd/message/attachments/34529.pdf.

[69] For the full text of the postulate and of the argumentation and negative answer of the Federal Council, see: https://www.parlament.ch/fr/ratsbetrieb/suche-curia-vista/geschaeft?AffairId=20204187.

[70] Farman, C., Cosandey, J., and Rutz, S. (2021), "Perpétuer le Succès de l'Industrie Suisse", Avenir Suisse, October.

but was mitigated by cross-border work. From a structural point of view, Avenir Suisse considers that the pandemic has accelerated pre-existing trends such as digitalization and has overall increased the resilience of the manufacturing sector.

4.3.2 Liechtenstein

4.129. Manufacturing is an important activity in Liechtenstein as its share in the GDP (40.1%, Chart 1.2) exceeds by far average figures for developed countries. The sector represented 40% of the employment in 2020. As evidenced by these figures in contrast to most developed countries, no strong "tertiarization" has been observed in Liechtenstein so far. In absolute terms, full-time equivalent employment in the industrial sector rose from about 12,100 in 2001 to almost 13,700 by the end of 2020. The increase was not as steep as in the services sector, though. Productivity, i.e. GVA in relation to full-time equivalent employment, amounted to CHF 203,000 for industry and manufacturing in 2019. In 2020, a large part (56%) of these employees are foreign commuters from Switzerland and Austria and not necessarily Swiss or Austrian citizens.

4.130. Table 4.16 provides the structure of employment in the manufacturing sector by company size.

Table 4.16 Structure of employment in the manufacturing sector by company size, 2020

	1-9 workplaces		10-49 workplaces		50-249 workplaces		250+ workplaces	
	E	W	E	W	E	W	E	W
Manufacturing	477	1,315	126	2,734	22	2,352	9	8,446

Note: E: enterprises; W: workplaces (unit of production).

Source: Office of Statistics Liechtenstein, Employment Statistics; and ITU, *ICT Price Baskets (IPB)*. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Dashboards/Pages/IPB.aspx.

4.131. The manufacturing sector is diversified. In terms of employment (full-time equivalents), in 2020 the largest industrial sector is manufacturing of machinery and equipment (7.9%), followed by construction (6.9%), manufacturing of motor vehicles and transport equipment (6.7%), and manufacturing of food production, beverages, tobacco production (4.8%).[71] In terms of share of GDP, in 2019 the most important industrial sectors are mechanical engineering (22.2%) followed by vehicle construction (5.7%), food production (4.6%), and manufacture of basic metals and fabricated metal products (except machinery and equipment) (3.1%).[72] Liechtenstein industrial companies, which include iconic brands such as Hilcona for food and Hilti for professional construction tools, also employed 58,200 persons abroad in 2019, i.e. three times more than domestically.

4.132. The manufacturing sector recovered from the shock of the discontinuation of the SNB minimum CHF/EUR exchange rate target (2015). Due to the COVID-19 pandemic, Liechtenstein's direct goods exports (excluding merchandise trade with Switzerland) declined sharply in 2020. The annual decrease of real goods exports amounted to 13.5% (2019: decrease of 2.2%). However, this decline was only about half as severe as in the financial crisis, when exports fell by 26.3% (2009). Liechtenstein still has a large trade surplus in exports/imports of goods. In 2020, the goods trade surplus was at 73% compared to 72% in 2019. This high trade surplus was also influenced by a decrease of the goods imports of 12.7% (2019: decrease of 3.4%). Mitigation measures taken by the Government included in particular interest-free transitional loans for micro, small, and medium-sized enterprises (MSMEs), a provisional deferral of the payment of social insurance contributions and taxes, financial support for self-employed persons affected directly or indirectly by administrative lockdown measures, and short-time work allowances. Most of these support measures have been phased out.

4.133. In the 2021-2025 Government Strategy, the Liechtenstein Government explicitly designated research and innovation as a priority, stating that Liechtenstein should continue to make intensive use of the opportunities offered by digitization. In 2021, 25.45% of the staff of industrial companies that are part of the Liechtenstein Chamber of Commerce and Industry are employed in R&D divisions. These companies spent 590 million CHF on R&D in 2020, an increase of 2% compared to the previous

[71] Office of Statistics Liechtenstein, eTab, *Employment Statistics for 2020*.
[72] Information provided by the authorities.

year. This corresponds to approximatively 9.2% of the non-domestic turnover of these companies, a high number by international comparison.

4.4 Services

4.4.1 Telecommunications services

4.4.1.1 Switzerland

4.134. During the period under review, the share of the telecommunications sector in both the GVA of Switzerland and in total employment declined slightly from already relatively low levels (from 1.3% in 2015-17 to 1.2% in 2018-19 for GVA and from 0.7% in 2015-19 to 0.6% in 2020 for employment) (Table 4.17). This can be explained by the fact that it is an industry with high productivity gains. This slight decline has been largely compensated in terms of both GVA contribution and employment by the growth of the ICT sector that it enables (from 2.6% in 2015 to 2.8% in 2019 in terms of GVA and from 2.2% of employment in 2015 to 2.7% in 2020).

Table 4.17 Evolution of the contribution of the telecommunications and ICT sectors to GVA and to total employment, 2015-20

	2015	2016	2017	2018	2019	2020
GVA share (% of total GVA)						
Telecommunications	1.3	1.3	1.3	1.2	1.2	..
IT and other information services	2.6	2.6	2.7	2.7	2.8	..
GVA percentage change over previous year, at prices of preceding year						
Telecommunications	0.8	4.4	0.8	1.7	0.9	..
IT and other information services	3.9	4.0	4.5	5.3	4.6	..
Jobs in full-time equivalents[a]						
Telecommunications	0.7	0.7	0.7	0.7	0.7	0.6
IT and other information services	2.2	2.3	2.4	2.4	2.6	2.7

.. Not available.

a Based on Q4 for each year.

Source: FSO, *Production Account*; and FSO, *Businesses and Employment*.

4.135. Switzerland has a very developed and mature telecommunications market using the latest technologies and enabling a wider ICT strategy (Box 4.2). Mobile coverage by a 4G/LTE network reached 100% during the period. Swisscom and Sunrise switched to a 5G network in April 2019 reaching 90% coverage at the end of 2020, while Salt switched to a 5G network in August 2020. Switzerland, which is ahead of its neighbours for 5G deployment, considers this 5G technology of paramount importance for the future[73], as it allows new applications such as the Internet of Things, time-critical reliable remote-control (e.g. for medicine and "industry 4.0"), self-driving vehicles, smart energy grids, and more generally the management of a green economy.

4.136. The Federal Commission on Communications (ComCom) acknowledged in May 2021[74] that by international standards the prices of mobile telecommunications in Switzerland remained among the highest, though the gap tends to narrow with other OECD countries.

[73] ComCom, *Mobile Coverage*. Viewed at: https://www.comcom.admin.ch/comcom/en/Homepage/documentation/facts-and-figures/mobile-telephony/mobile-coverage.html.

[74] ComCom (2021), *Prices for Telephony Services*, 26 May. Viewed at: https://www.comcom.admin.ch/comcom/en/Homepage/documentation/facts-and-figures/mobile-telephony/prices-for-telephony-services.html.

Box 4.2 Main economic indicators of Switzerland's telecommunications sector

Population covered by a mobile-cellular network (2020): 100%
Population covered by at least a-4G network (2020): 100% (world average 64%)
Mobile-cellular subscriptions per 100 inhabitants (2020): 126 (world average 105)
Fixed telephone subscriptions per 100 inhabitants (2020): 34

Households with Internet access at home (2019): 92% (world average 72%)
Households with a computer at home (2018): 93% ((world average 63%)
Active mobile broadband subscriptions per 100 inhabitants (2020): 102 (world average 75)
Average monthly mobile broadband Internet traffic per mobile subscription (Mb- 2020): 10,795
Fixed broadband subscriptions per 100 inhabitants (2020): 46 (of which 97%>10mbits)
Average monthly fixed broadband Internet traffic per fixed subscription (Mb- 2020): 211,907
Percentage of individuals using the Internet (2019): 93% (world average 70%)

Source: For the main indicators: ITU, *Digital Development Dashboard.* The importance of mobile telephony for both voice and data increased during the COVID-19 pandemic due the importance of teleworking: in spite of the recourse to Wi-Fi for many mobile communications, mobile data traffic for Swisscom grew by almost 30% in 12 months and Sunrise is expecting its data traffic to double every 16 months.

4.137. Table 4.18 describes the evolution of tariffs for the main types of telecommunications services, while Table 4.19 describes that of access/interconnection rates during the period under review, and Table 4.20 indicates the various retail mobile roaming rates for the 4th quarter of 2020.

Table 4.18 Telecom tariffs, 2015-20

	2015	2016	2017	2018	2019	2020
Telecommunications services	**101.6**	**100.1**	**98.3**	**98.5**	**99.5**	**99.8**
Fixed-line communication	101.8	99.8	98.5	98.3	99.1	99.1
Mobile communication	101.5	99.3	96.4	95.4	95.9	98.5
Combined offers for fixed-line and mobile communication	103.5	101.1	100.6	102.1	103.6	101.8

Source: FSO, *Swiss Consumer Price Index*.

Table 4.19 Access/interconnection rates, 2015-20

	2015	2016	2017	2018	2019	2020
Access/interconnection rates[a] (monthly charge per line)	12.2[b]	12.7[b]	12.7[b]	12.7[b]	12.7[b]	12.7[b]

a Wholesale price of unbundled local loop (copper only).
b Price as offered by Swisscom (significant market power (SMP) operator). Due to open legal procedures, the price might be changed by ComCom in the final decision.

Source: Retail data: Federal Office of Communications (OFCOM), *Statistical Observatory*; interconnection rates: information provided by the Swiss authorities.

Table 4.20 Retail mobile roaming rates, Q4 2020

Service (prices in CHF per minute/SMS/MB)	Q4 2020
Calls made – prepaid & post-paid – EU – based on billed minutes	1.02
Calls made – prepaid & post-paid – rest of world – based on billed minutes	1.4080
Calls received – prepaid & post-paid – EU – based on billed minutes	0.37
Calls received – prepaid & post-paid – rest of world – based on billed minutes	1.3431

Source: Retail data: OFCOM, *Statistical Observatory*. Viewed at: www.ofcom.admin.ch; and information provided by the Swiss authorities.

4.138. Table 4.21 provides the detailed international rankings of Switzerland regarding tariffs as established by the annual publication of the ITU, " measuring digital development, ICT prices trends" in its 2020 edition.[75] Comparisons for the whole period are not technically possible due to the

[75] ITU (2021), *Measuring Digital Development: ICT Price Trends 2020*.

evolution of the "baskets". These data show that the international ranking of Switzerland in terms of affordability of services varies notably, depending on the type of services provided.

Table 4.21 ICT prices trends by type of basket, 2020

Type of basket	Rank	As percentage of GNI per capita	USD	Purchase parity (USD)	Speed in MB/s	Monthly allowance	Tax rate (%)
Data-only mobile broadband basket (1.5 GB)	39	0.65	47.78	34.27	..	2 GB	7.7
Fixed broadband basket (5 GB)	26	0.94	69.02	49.49	50	Unlimited	7.7
Mobile-cellular low-usage basket (70 minutes, 20 SMS)	29	0.48	35.31	25.3	..	-	7.7
Mobile data and voice low-consumption basket	9	0.36	26.54	19.04	..	SMS unlimited Voice unlimited Data 500 MB	7.7
Mobile data and voice high-consumption basket	16	0.65	47.78	34.27	..	SMS unlimited Voice unlimited Data 2 MB	7.7

.. Not available.

Note: GNI = gross national income.

Source: ITU, *Measuring Digital Development, ICT Price Trends 2020*.

4.139. In terms of market structure, the market is mature, and there has been little change both in terms of market shares and of actors, foreign ownership and state ownership, save the take-over of Orange by NJJ Capital in 2015 and its renaming as Salt (Box 4.3). The trend towards a switch from prepaid offers to contracts also continued during the period under review as the proportion of users with contracts reached 75% in 2020 from 56% in 2010.

Box 4.3 Switzerland telecommunications market structure

Main actors

Number of telecom services providers hosting SMS/MMS services and premium-rate services
Three operators (Swisscom, Sunrise, and Salt) have the authorization to allocate and host SMS/MMS short numbers. All three are active in hosting SMS/MMS services.
Premium-rate services (i.e. numbers with price surcharges for additional services) are hosted by 35 telecom-service providers.

Names and market shares of the leading companies for fixed telecom services
Total: 88 companies
Market leaders (by duration of connections): Swisscom: 66.3%; Sunrise: 9.0%; UPC Cablecom: 8.2%
Market leaders (by number of subscribers): Swisscom: 48.4%; UPC Cablecom: 15.8%; Sunrise: 16.9%

Name and market shares of the leading companies for mobile telephones services
Total: 25 companies
Market leaders (by number of contracts): Swisscom: 56.5%; Sunrise: 21.0%; Salt (ex-Orange): 16.5%.

Three companies (Lycamobile AG), Beone Communications SA, and Vectone Mobile Limited) are mobile virtual network operators (MVNOs). There is no legislation forcing the three network operating companies to make an offer to MVNOs.

Name and market shares of the broadband Internet services
Total: 170 companies
Market leaders (by number of contracts): Swisscom: 50.7%; UPC Cablecom: 16.2%; Sunrise: 12.3%

Foreign ownership participation in telecom companies
Orange/Salt and Sunrise UPC LLC are 100% foreign-owned.

State ownership
51% of the shares of Swisscom

Establishment of new companies, mergers, or closures during the review period
On 23 February 2015, Orange Communications SA (Orange Suisse) was sold to NJJ Capital, which is a private holding company owned by the French businessman Xavier Niel. On 23 April 2015, the company was renamed Salt. Liberty Global, owner of UPC Switzerland LLC, completed the acquisition of Sunrise Communications in 2020. From 1 May 2021, Sunrise Communications Ltd and UPC Switzerland LLC are being legally merged into Sunrise UPC LLC.

Source: For the main indicators: ITU, *Digital Development Dashboard*; and information provided by the authorities for the market structure.

4.140. The regulatory framework for telecommunications was modernized during the period under review to adapt itself to an ever-changing digital environment and to alleviate the administrative burden on operators, thus lowering entry barriers. The main changes concern Internet neutrality, roaming, measurement of Internet quality, security, and facility sharing.

4.141. The main regulatory changes stem from the revision of the Telecommunications Law that was adopted by the Federal Assembly on 22 March 2019 and entered into force on 1 January 2021, together with its accompanying ordinances.[76] The main amendments to the telecom regime brought about by this revision are the following:

- The principle of Internet neutrality is adopted: Internet service providers must transmit data without making distinctions from an economic standpoint or from a technical one. More precisely, Article 12e of the Law stipulates that "[t]he providers of Internet access shall transmit information without making any technical or commercial distinction between senders, recipients, content, services, service classes, protocols, applications, programmes or terminals…. [that] In addition to internet access, they may offer other services via the same connection which must be optimized for specific content, applications or services in order to meet the quality requirements of customers, these other services must not be usable or offered as a substitute for internet access services, and they must not degrade the quality of internet access services … [and that] If they handle information in a different technical or economic manner during transmission, they must inform their customers and the public of this". These provisions are in essence similar to the EU ones on the same subject.

- The general obligation of notification for all telecom providers is abolished. However, the pre-existing registration procedure applicable only to providers needing State resources (i.e. nationally administered "addressing elements" (e.g. phone numbers, email addresses, and Internet domain names) and frequencies subject to licensing) remains in place. Such registration is automatically granted when the stipulated technical requirements are met.

- New and strengthened transparency obligations regarding roaming services (including on billing modalities and on the obligation for providers to offer bundled offers with included roaming services and roaming options) are created. They allow the use of roaming services at fixed prices or reduced standard prices.

- The possibility to regulate roaming retail prices if wholesale roaming prices are regulated by an international agreement is instituted (at the moment, however, there are no agreements that would imply the use of such a regulation).

- To improve traceability in the event of abuses, the provision of value-added services with Swiss numbers is now conditioned by the localization of the headquarters in Switzerland.

- New duties of information are instituted and "blockage" sets (e.g. for minors) are expanded.

- The sectoral mediator, Ombudscom, will now be able to produce statistics on conciliation procedures it conducts among telecom providers.

[76] Telecommunications Law of 30 April 1997, as amended (RS 784.10).

- New obligations are imposed on providers in order to fight spamming and unsolicited advertising emails.

- New methods are established to measure and publicize the quality of fixed and mobile Internet access, i.e. the services providers will have to measure and permit their customers to measure the quality of Internet access services and will have to publish the result of these measurements.

- Geo-localization data are now included in the emergency call regulation.

- A right of access to the "introduction point" of buildings and co-use of a building's wiring is explicitly granted to telecom operators and completed by rules for financial compensation in favour of the entity that financed the initial infrastructure.

- More public authorities (e.g. military and competent authorities to carry out searches in case of emergency or searches for convicted persons) are now allowed to manage telecom facilities aimed at guaranteeing public security (e.g. to fight against jammers and bugs).

- To improve the market surveillance on products offered over the Internet (e-commerce), two new actors[77] are created and their obligations defined, along the lines of the corresponding Regulation (EU) 2019/1020[78] on market surveillance.

- The amendments introduce a complete change of paradigm for spectrum allocation policy as far as radio-communications are concerned: the free use of spectrum frequencies will become the rule, and the granting of concessions or the notification ("light licensing") the exception.

- Clearer provisions on delegations of authority for managing addressing (e.g. administration of domain names by a foundation) are added; they specify the method of designation of a delegate (directly, by public tender procedure, or by a procedure inviting tenders), and the fact that the public law on public procurement does not apply.

- The Internet domain names database is modified in that the Registration Data Directory Services (WHOIS), which allows anyone to consult public information on allocated domain names, no longer contains any personal information. In addition, new provisions on cybercrime allow the registry and the competent authorities to suspend the use of domain names (deferred delegation).

- Fees are reduced or abolished.

4.142. Another significant development during the period under review was the 5G frequencies auction that took place between 29 January and 7 February 2019. ComCom successfully awarded new mobile radio frequencies (700 MHz, 1,400 MHz, and 3,500 MHz). All three current operators, Salt, Sunrise, and Swisscom, could acquire a wide range of new frequencies in an auction. Another operator was interested, but ultimately did not participate in the auction. These frequencies are required for the development of the high-speed 5G mobile radio technology. The proceeds for the Confederation amount to around CHF 380 million.

[77] The two actors are: (i) the "fulfilment service provider": any natural or legal person who, in the course of a commercial activity, offers at least two of the following services: storage, packaging, labelling, or dispatch, without owning the products concerned, excluding postal services within the meaning of Article 2(a) of the Postal Act of 17 December 2010 and any other goods transport service; and (ii) the "information society service provider": any natural or legal person who offers an information society service, i.e. any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services.

[78] Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products and amending Directive 2004/42/EC and Regulations (EC) No. 765/2008 and (EU) No. 305/2011.

4.143. On 19 May 2017, ComCom awarded the Universal Service licence for the period from 2018 to 2022 to Swisscom. The Universal Service licence had been awarded previously to Swisscom for a period of 10 years, i.e. from 1 January 2008 to 31 December 2017.

4.144. To date, the Universal Service licensee has not applied for any financial compensation. Any compensation would be provided from a universal service fund (USF). If fees were levied for the 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. Providers with a relevant annual turnover of less than CHF 5 million are exempted from the fee.

4.145. The content of Universal Service, which is examined periodically by the Federal Council, consists of public telephone service (national and international calls) and data transmission (Internet access) at a fixed location, and specific services for disabled persons. Mobile telephony is not part of the Universal Service. However, the Universal Service provider is free to use the most suitable technology. For example, it may provide Universal Service in the form of mobile communications or satellite transmission; such cases do effectively occur in mountain areas. Some of these services are tagged with a ceiling price. The Universal Service licensee must measure, and report yearly, on the quality of the services. The latest modification, which concerns the broadband data rate (Internet connection at a "new" minimum speed of 10 Mbit/s), entered into force on 1 January 2020. There are no specific regulations on Universal Service and cross-subsidization. So far Swisscom has not requested any contribution from the USF.

4.146. Other aspects of the telecom regime remain unchanged. Regarding regulatory supervision, ComCom is the independent authority regulating the telecommunications market. The activities and main tasks of this extra-parliamentary commission are the following:

- the attribution of the concessions for the use of radio-communication frequencies for the provision of telecommunications services;
- the granting of the concession(s) for the Universal Service;
- the setting of access conditions (e.g. unbundling interconnection, leased lines) when providers cannot reach agreement;
- decision-making regarding monitoring measures and administrative sanctions concerning concessions granted by ComCom (no such administrative sanctions were taken);
- as stipulated by the Telecommunications Law, ComCom calls on the Federal Office of Communications (OFCOM) for the preparation of the dispute cases and the execution of its decisions.

4.147. On facility sharing, in addition to the new provisions mentioned above, OFCOM may require, for reasons of public interest, providers of telecommunications 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, but on a voluntary basis. ComCom published in 2016 a study about technical elements that can be shared.[79]

4.148. Local loop unbundling on regulated terms and conditions is limited to twisted copper pair loops. The unbundling on regulated terms and conditions of fibre local loops is not permitted by law. Demand for unbundled local loops reached its maximum in summer 2012. Since then, demand has decreased rapidly. To cope with the demand for higher bandwidths, operators who unbundled local loops are substituting them with other wholesale products available on commercial terms and conditions. These commercially offered access products may be unbundled fibre local loops or any type of bitstream. Significant Market Providers were required to offer local bitstreams over copper local loops on regulated terms and conditions for four years only. Since 2014, there has no longer been a reference offer for local bitstream.

[79] For more elements on facility sharing, see ComCom, *Network Sharing*.

4.4.1.2 Liechtenstein

4.149. Telecommunications is a relatively minor activity in Liechtenstein as, depending of the years it represents between 0.4 and 0.6% of GVA and about 0.4% of total employment. Nevertheless, it remains a strategic activity as it enables the rest of the economy, in particular the relevant export industry, and in particular IT and financial services and among them the innovative activities of e-payments, non-fungible tokens and crypto-assets. This is one of the reasons why Liechtensteinische Kraftwerke, the electricity supplier, which owns, operates and maintains a major part of the fixed communication network infrastructures (Ducts, Twisted Copper, Hybrid Fiber-Coaxial and Fiber Optic Network), remains state-owned and that the main actor of the fixed market, Liechtenstein Telekom AG returned fully to it after the withdrawal of telecom Austria from its minority share.

4.150. As evidenced by Box 4.4, Liechtenstein has a fully developed telecom sector with high penetration rates and overall declining tariffs.

Box 4.4 Telecom sector

GVA (% of total economy)
2015: 0.5%
2016: 0.4%
2017: 0.6%
2018: 0.4%
2019: 0.4%

Employment in the sector (% of total)
2016: 0.4%
2017: 0.4%
2018: 0.4%
2019: 0.4%
2020: 0.4%

Penetration rates (2020)
Population: 39,062
Households (2015): 17,594
ISDN subscribers: 1,142
Main (fixed) telephone lines in operation: 12,607
Main (fixed) telephone lines/100 inhabitants:32
Main (fixed) telephone lines/100 households: 72
Mobile-cellular telephone subscribers (digital): 48,887
Mobile-cellular telephone subscribers/100 inhabitants: 125
Internet subscribers (fixed line): 18,050
Internet subscribers (fixed line)/100 households: 103
Mobile broadband/100 inhabitants: 123

Tariffs (evolution of tariffs since the last TPR in 2016)
Bundle and flat rate offers are predominant in both fixed and mobile services.
For local services: decreasing tariffs
For international services: decreasing tariffs
For mobile services: decreasing tariffs (data roaming)
For interconnection rates: decreasing tariffs
For Internet services: stable tariffs, coupled with a significant increase in Mbit/s download and upload performance for fixed and increased monthly data volume performance for mobile Internet service

Source: Information provided by the authorities.

4.151. In terms of market structure, the leading fixed telecom operator is Telecom Liechtenstein AG (59% market share in 2020, down from 72% in 2016 for Internet broadband service). For mobile telephones services, the main providers had in 2019 a respective market share of 45% for Salt (Liechtenstein) AG/Salt Mobile SA, 34% for Swisscom (Schweiz) AG and 21% for Telecom Liechtenstein AG. All mobile providers maintain their own network in Liechtenstein. Swisscom (Schweiz) AG and Salt Mobile SA have a significant number of cross-border customers living in Liechtenstein, who subscribe to their Swiss mobile networks (with Swiss number and contracts subject to Swiss legislation over which the National Regulatory Authority of Liechtenstein has no jurisdiction). These foreign subscriptions had a market share of 67% in 2020. Some two thirds of all registered enterprises are fully or partly owned by foreigners. Salt (Liechtenstein) AG and Swisscom (Schweiz) AG are 100% foreign-owned.

4.152. Since the last Review, 10 enterprises have left the notification register (ceasing telecom services in the Liechtenstein market), and 13 enterprises notified entrance to the telecom market of Liechtenstein. A1 Telekom Austria Group withdrew its minority shareholding in Telecom Liechtenstein in 2019, with Telecom Liechtenstein AG becoming a 100% state-owned operator in July 2020.

4.153. The fixed retail market of electronic communications is characterized by intense competition, driven in particular by the rapid fibre roll-out, which entails the removal of old copper-based telephone and coaxial local loops, thereby forcing every household and business to choose a new contract for services via fibre. At the end of 2021, fibre-optic local loops were available for 80% of the residential and business units, and fibre-optic Internet connections already accounted for 70% (previous year: 48%) of all Internet connections. This has led to a massive increase of Internet speed at stable pricing. Similarly, the market entry of two wholesale VoIP operators in 2019 led to increased competition with declining prices for fixed voice service.

4.154. The deployment of 5G has been delayed by a number of factors, including a very low limit for non-ionizing radiation. Per site, these limits are already exhausted by 2G, 3G and 4G technologies. Under the current conditions, the mobile network operators do not see a business case for rolling out 5G. As a result, the allocation process for additional spectrum, which started in 2019, is still pending and 5G-services have not yet been implemented.

4.155. Traditional fixed-network telephone lines (analog, ISDN) decline significantly, only partially being replaced by IP-based telephone lines (VoIP), which amounted to 75% of all lines at the end of 2020.

4.156. The overall attractive market development for end users is very clearly visible in the number of providers in the fixed-network area. While Telecom Liechtenstein AG was still the sole provider of triple bundles including Internet, TV and telephone connections at the beginning of 2016, such bundles were already available from six further providers in 2020. Furthermore private and business users can select from three national and two Swiss providers, which offer mobile services at domestic conditions, i.e. without (Swiss) roaming surcharges in Liechtenstein. This number of service providers in both fixed and mobile electronic communications is very high in relation to the small national market. In 2020, the trend of increasing mobile subscriptions with Liechtenstein +423 numbers continued, achieving a share of 33% by the end of 2020.

4.157. The main changes in the regulatory framework during the review period resulted from the transpositions of most but not all EU regulations and directives on telecommunications. These changes included the introduction of the roam-like-at-home regulation as of 15 June 2017, the obligation since 2019 for the incumbent Telecom Liechtenstein AG to offer VoIP wholesale services on non-discriminatory and transparent terms, changes in price caps for national voice call termination(which drastically decreased prices caps), regulation of call termination rates, regulated charges for intra-EEA communications (voice calls, SMS), number portability, universal service, the lifting of obligations from the analysis for the market for call origination on the public telephone network provided at a fixed location and the future regulatory consequences of the ongoing deployment of the Fiber To The Building network (FTTB).

4.158. The regulatory framework for telecommunications has partially autonomously transposed the EU Telecoms Package 2009 (Directives 2009/136/EC and 2009/140/EC as well as Regulation (EC) 1211/2009) Currently, Liechtenstein is in the process of transposition of the European Electronic Communications Code EECC (directive (EU) 2018/1972 of 11 December 2018) and of several delegated legal acts linked to the EECC, such as the Euro-rate delegated regulation (EU) 2021/654 of 18 December 2020. Furthermore, Liechtenstein is currently preparing the incorporation of the new Roaming Regulation into the EEA Agreement.

4.159. As a result of the transpositions of amendments to Regulation (EU) 2015/2120 of December 2018 based on Regulation (EU) 1971 of 11 December 2018 (BEREC Regulation), retail prices charged to consumers for regulated intra-EEA communications shall not exceed EUR 0.19 per minute for calls and EUR 0.06 per SMS. This came in effect on 1 July 2020. The Office for Communications is responsible for monitoring the market and price developments for regulated intra-EEA communications.

4.160. The incumbent operator, Telecom Liechtenstein AG, is obliged by a 2008 recommendation of the EFTA Surveillance Authority to offer VoIP wholesale services (including line, trunk, and connections) at price-regulated, non-discriminatory, and transparent terms. After the market entry of two VoIP operators in 2019/2020, there is competition in the wholesale market for VoIP service.

4.161. Regarding national voice call termination, the alternative telephone operators are interconnected to Telecom Liechtenstein AG, and all operators run further international interconnections. While interconnection charges are agreed between operators, at non-discriminatory and transparent terms, the fixed and mobile termination fees are regulated by benchmarking with EEA-regulated fees, in accordance with recommendation 2009/396/EG. The fixed-network termination fee is regulated with a maximum amount of CHF 0.09 cents per minute as of 1 January 2021. The mobile termination fee has been set at a maximum of CHF 0.77 cents per minute as of 1 January 2021. These caps apply to calls originating from the EEA and are in line with previous regulations of most EU member States and also with the Euro-rate delegated regulation (EU) 2021/654 of 18 December 2020, which will become effective according to the transposition of the delegated act of the European Electronic Communications Code EEC (Directive (EU) 2018/1972 of 11 December 2018).

4.162. Number portability is a new regulatory feature that was implemented during the period under review respectively in 2019 for fixed telephony and in 2020 for mobile numbers, by regulatory decision of August 2018 based on the Communications Act after a consultation procedure that had shown that reasons justifying exemptions from portability obligations did not exist anymore.

4.163. Regarding Universal Service, Telecom Liechtenstein AG has been designated by the Liechtenstein Government on the basis of the Communications Act[80] as a universal service provider for the period from 2019 to 2029.

4.164. In 2019, the Office for Communications issued the renewed general planning for market analysis.[81] Accordingly, the call termination rates were regulated in 2020, followed by a market analysis of the fixed origination in 2021. The regulation of the retail fixed telephone market will be renewed in 2022. After completion of the national FTTB (Fiber To The Building) network the standard offer and prices of the network provider Liechtensteinische Kraftwerke will be regulated in 2023.

4.165. Indeed, Liechtensteinische Kraftwerke is currently building a national FTTB access network, with expected completion by the end of 2022. The Office for Communications is following the project planning of Liechtensteinische Kraftwerke in order to make sure that the future offer of glass fibre local loops as well as the migration phase will be in line with the regulatory obligations (non-discrimination, transparency, cost orientation) and will further increase competition in the telecom market. The decommissioning of the copper-based and coaxial networks is expected to be completed by the end of 2023.

4.166. The Office for Communications remains the competent national regulatory authority.[82] Regarding licensing the 2006 Communication Act eliminated the licensing system. All activities in electronic communication are licence-free; however, a notification to the Liechtenstein Office for Communications, the national regulatory authority, is required.

4.167. Liechtenstein telecommunications are still under a vertical separation regime via a 2007 "consolidation agreement" signed by Liechtensteinische Kraftwerke and Telecom Liechtenstein AG. The purpose of the agreement was to concentrate all retail customer relationships and intelligent network components (active network) in Telecom Liechtenstein AG's and the alternative operators' hands, and to combine all passive network components, including in particular the local loop,

[80] Electronic Communication Law of 17 March 2006, as amended (LR 784.10).
[81] Office for Communications, "Marktanalyse 2029 Plus V2.0". Viewed at: https://www.llv.li/inhalt/118935/amtsstellen/marktanalyseplanung-2019.
[82] Office for Communications, *English Information*. Viewed at: https://www.llv.li/inhalt/1833/amtsstellen/english-information.

transmission lines, cable ducts, civil engineering infrastructure, in the hands of Liechtensteinische Kraftwerke, the state-owned electricity supplier.

4.168. Regarding access to network infrastructure at a fixed location and in the core network, since 2009 Liechtensteinische Kraftwerke is obliged by regulatory measures to grant unhindered, non-discriminatory wholesale access to the passive network at a fixed location (local loop unbundling) at cost-oriented prices. Similarly by regulatory obligations of 2013, the access to infrastructure in the core network (e.g. fibres for backhaul, ducts) must be provided at cost-oriented prices.

4.169. Open Internet and abolition of roaming were instituted in 2015 following EEA transposition intervened during the period covered by the previous TPR report. With regulation (EU) 2015/2120 and several successive regulations, which are effective from 15 June 2017, roaming services at conditions like at home were introduced as from 15 June 2017, and retail charges for the consumption of regulated retail roaming services in excess of any fair use limits were reduced, most relevantly for data roaming from EUR 7.7 per gigabyte of data transmitted in June 2017 to currently EUR 2.5 per gigabyte (valid from 1 January 2022 to 30 June 2022).

4.170. Finally, regarding spectrum management, the Liechtenstein Frequency Allocation Plan (FAP) consists of several parts, including the principles of spectrum management. These principles are described with a transparent approach on both national and international levels. The integral components of FAP are: frequency ranges and radio interface requirements, as well as comprehensive lists of specific assignments and harmonized frequency ranges. All the relevant European Conference of Postal and Telecommunications Administrations or European Commission decisions are also listed and referenced in the FAP.

4.4.2 Financial services

4.4.2.1 Switzerland

4.4.2.1.1 Overview of the economic evolution and of the market structure of the financial services sector

4.171. Switzerland has a sophisticated and mature financial services sector with a developed and somewhat concentrated internal market. The sector serves a population with high savings and that is very well insured, as well as international clients and markets attracted by Switzerland's political stability and the vast array of services proposed by this global financial hub. The share of financial services in GVA and employment declined slightly during the review period (Table 4.22), which is mainly explained by developments in banking services and securities and stock exchange services. More generally, there has been long-term decline in the share of financial services in GDP since the 2008 financial crisis. According to the Federal Council, this can be explained "by the changing conditions in the international tax framework and the global wealth management business, the contraction of big banks' investment banking business and increased pressure on margins caused by the low interest rate environment".[83]

[83] Federal Council (2020), *Leading Worldwide, Rooted in Switzerland: Policy for a Future-Proof Swiss Financial Centre,* pp. 5-6. The emergence of fully digital "neo banks" and fintech services might reinforce the existing trend towards downsizing and consolidation. Ibid.

Table 4.22 Contribution of the financial services sector and its subsectors to GVA and total employment, 2014-20

(% of total)

	2014	2015	2016	2017	2018	2019	2020
GVA share (% of total GVA)							
Financial and insurance activities	10.1	10.1	10.0	9.7	9.9	9.8	9.7
of which: insurance	4.5	4.6	4.6	4.5	4.6	4.4	4.2
% of total employment[a]							
Finance and assurance	5.6	5.6	5.4	5.3	5.1	5.1	5.2
of which:							
Financial service activities	3.1	3.0	2.9	2.7	2.6	2.6	2.6
Insurance	1.13	1.14	1.10	1.08	1.03	1.03	1.05
Activities auxiliary to financial services and insurance activities	1.4	1.4	1.4	1.5	1.5	1.5	1.5

a Based on Q4 for each year.

Source: FSO, *Industries Production Account*.

4.172. On 4 December 2020, the Federal Council issued a new strategy for the financial services sector that is based on three pillars: innovation, interconnection, and sustainability. To achieve these three goals, the strategy defines nine specific areas of action: (i) using the data economy for the financial centre; (ii) integrating new financial market players; (iii) digitalizing access to financial market authorities; (iv) strengthening the competitiveness of the financial centre; (v) increasing the exportability of Swiss financial services by improving market access abroad; (vi) assisting to shape the international financial system; (vii) ensuring resilience; (viii) increasing transparency for sustainable investment; and (ix) combating financial crime.[84]

4.4.2.1.1.1 Overview of the economic evolution and of the market structure of banking services

4.173. The number of banks has continued its long-term tendency to decline. With a few exceptions, this trend concerns most categories of banks and in particular foreign-controlled banks (Box 4.5). The risk of a growing number of defaults on corporate and mortgage loans in the medium term may also accelerate this tendency despite the bridging support measures taken by the Government during the pandemic. The total balance sheet of the banking sector grew notably but with important differences in the market shares of the various categories of banks (Box 4.5).

Box 4.5 Evolution of the market structure and of the main economic indicators of the banking sector

Number of banks and recent consolidation

2015: 266 banks of which:
- cantonal banks: 24
- "big" banks: 3
- regional and savings banks: 62
- Raiffeisen – i.e. cooperative banks: 1
- stock-exchange banks: 44
- foreign-controlled banks: 85
- branches of foreign banks: 26
- private banks: 7
- other banking institutions: 14

2020: 251 banks of which:
- cantonal banks: 24
- "big" banks: 4 (UBS and Credit Suisse have legally separated their systemically important Swiss Banks from their parent banks as a measure to improve resolvability. In 2015 this step had only been concluded by one of the two big banking groups.)
- regional and savings banks: 59
- Raiffeisen – i.e. cooperative banks: 1
- stock-exchange banks: 39
- foreign-controlled banks: 76

[84] Federal Council (2020), *Leading Worldwide, Rooted in Switzerland: Policy for a Future-Proof Swiss Financial Centre.*

- branches of foreign banks: 24
- private banks: 5
- other banking institutions: 19

Concentration/share of the various types of banks in the total balance sheet for banks in Switzerland
2015: Total balance sheet: CHF 3,026 billion
of which:
- cantonal banks: 17.8%
- "big" banks: 47.1%
- regional and savings banks: 3.7%
- Raiffeisen – i.e. cooperative banks: 6.7%
- stock-exchange banks: 6.9%
- foreign controlled banks: 8.6%
- branches of foreign banks: 2.4%
- private banks: 0.2%
- other banking institutions: 6.6%

2020: Total balance sheet: CHF 3,484 billion
of which:
- cantonal banks: 20.0%
- "big" banks: 45.0%
- regional and savings banks: 3.2%
- Raiffeisen – i.e. cooperative banks: 7.5%
- stock-exchange banks: 7.4%
- foreign controlled banks: 6.7%
- branches of foreign banks: 3.3%
- private banks: 0.2%
- other banking institutions: 6.7%

Lending activities (Comprehensive year-end statistics (excluding "amounts due from securities financing transactions"))
2015: CHF 1,537 billion (domestic lending: 70.0%, of which mortgage claims: 82.1%; foreign lending: 30.0%)

2019: CHF 1,926 billion (domestic lending: 67.7%, of which mortgage claims: 80.0%; foreign lending: 32.3%)

Source: Information provided by the authorities.

4.4.2.1.1.2 Overview of the economic evolution and of the market structure of insurance services

4.174. The number of insurance companies remained overall stable despite some consolidation in reinsurance and health insurance and some newcomers in non-life insurance (Box 4.6). The number of Swiss branches of foreign insurance companies in life insurance remained stable while that of Swiss branches of foreign insurance companies in non-life insurance declined slightly. The overall balance sheet of the sector grew considerably but with significant differences between the various subsectors. According to the authorities, the growth of the industry is in large part due to Switzerland's increasing importance in the global reinsurance business as well as to an increase in non-life insurance. Life insurance grew only slightly, owing largely to the low interest rates context. Concentration, computed in terms of the cumulative market share of the top five companies, grew in every subsector.

Box 4.6 Evolution of the market structure and of the main economic indicators of the insurance sector

Number of insurance companies
2014: 224 companies, of which:
- life: 21 (of which 3 Swiss branches of foreign insurance companies)
- non-life: (without health insurers[a]): 104 (of which 47 Swiss branches of foreign insurance companies)
- reinsurers: 29
- reinsurance captives: 33
- supplementary health insurers (without health insurers): 26
- base health insurers with supplementary health insurance products: 14

2019: 222 companies, of which:
- life: 21 (of which 3 Swiss branches of foreign insurance companies)
- non-life (without health insurers): 114 (of which 44 Swiss branches of foreign insurance companies)

- reinsurers: 27 - reinsurance captives: 27 - supplementary health insurers: 21 - base health insurers with supplementary health insurance products: 12
Total balance sheet of the insurance sector **2014:** CHF 649.4 billion, of which: - life insurance: CHF 337.7 billion (52.0%) - non-life (without health insurers): CHF 150.8 billion (23.2%) - supplementary health insurers: CHF 16.0 billion (2.5%) - reinsurers: CHF 144.9 billion (22.3%) **2019:** CHF 712.2 billion, of which: - life insurance: CHF 328.6 billion (46.1%) - non-life (without health insurers): CHF 179.3 billion (25.2%) - supplementary health insurers: CHF 19.0 billion (2.7%) - reinsurers: CHF 204.3 billion (28.7%)
Concentration: (cumulative market share of the top five companies) **2014:** life insurance: 83.9%; non-life: 48.5%; health insurance: 64.7% **2019:** life insurers: 84.6%; non-life: 67.1%; health insurance: 67.7%

Source: Information provided by the authorities.

4.4.2.1.1.3 Overview of the economic evolution and of the market structure of pension fund services and stock exchange and securities services

4.175. The pension fund subsector, which is essentially a domestic industry, continued to become more concentrated. The number of pension funds, which had fallen from 2,351 in 2009 to 1,866 in 2014, declined further to 1,438 in 2020. The total amount of assets managed by the pension funds increased from CHF 452.6 billion in 2015 to CHF 1,037 billion in 2020.[85]

4.176. The capitalization of the companies listed on the Swiss performance index grew steadily from CHF 1,287 billion in 2015 to CHF 1,886 billion in 2020 and more quickly than Swiss GDP as these sums represent the equivalent of 201% and 267% of the Swiss GDP in the same years.[86] The increase in the gross value of publicly issued bonds in Swiss francs was more limited. The overall subdued issuance activity of CHF bonds is due to the foreign segment. In contrast, net emissions in the domestic segment show a positive trend and have increased significantly in recent years. The main part of the increase can be attributed to mortgage bonds. The low issuance by the Federal Government reflects the low refinancing need of the public sector. Low negative yields may also play a role. Net issuance in the foreign segment has been negative every year since the 2010-euro debt crisis. The decline is mainly due to falling demand from European banks.

4.4.2.1.2 Evolution of the overall regulatory framework

4.177. The overall regulatory framework for financial services was amended through several laws and regulations that introduced changes that are mainly of a technical nature and do not affect conditions of market access.

4.178. First, the Financial Market Infrastructure Law[87], which entered into force in 2016, adjusted the regulation of financial market infrastructures and derivatives trading in line with market developments and international requirements. The Financial Market Infrastructure Ordinance[88] contains implementing provisions. In particular, it fleshes out the authorization conditions of financial market infrastructures and the duties of financial market participants in derivatives trading. It is

[85] Information provided by the authorities. The figures for 2020 are provisional.
[86] Information provided by the authorities.
[87] Federal Law of 19 June 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (RS 958.1).
[88] Ordinance of 25 November 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (RS 958.11).

based on existing legislation and international requirements, and it follows similar concepts as the relevant EU legislation.[89]

4.179. Second, the Financial Services Law[90] and the Financial Institutions Law[91], which entered into force in 2020, subject to transition rules, serve primarily to improve client protection. The Financial Services Law contains rules on providing financial services and offering financial instruments for all financial services providers. Improvement in client protection is achieved mainly through comprehensive transparency provisions. The Financial Institutions Law provides for an activity-based, differentiated supervisory regime for financial institutions requiring authorization. The main change consists in the establishment of a regime for the prudential supervision of managers of individual client assets, managers of the assets of occupational benefits schemes, and trustees.

4.180. Third, there were changes to the legal and regulatory framework regarding money laundering and financing of terrorism.[92] These included a revision of the self-regulatory Code of Conduct on Due Diligence for Banks of the Swiss Bankers Association, a revision of the anti-money Laundering Ordinance[93], and the adoption by the Federal Assembly in March 2021 of amendments to the Anti-Money Laundering Law of 1997 that imposes special due diligence obligations on financial intermediaries. The revision of the Anti-Money Laundering Law includes, *inter alia*, amendments in relation to: (i) customer due diligence (CDD) (verification of the identity of the beneficial owner and measures to ensure that data collected under CDD process are kept up to date); (ii) the framework to report suspicious transactions to the Financial Intelligence Unit; and (iii) associations at risk of being abused for money laundering or terrorist financing.[94]

4.181. The Agreement between Switzerland and the United States for Cooperation to Facilitate the Implementation of the Foreign Account Tax Compliance Act (FATCA), which entered into force on 2 June 2014, provides for implementation of FATCA in Switzerland based on Model 2. This means that Swiss financial institutions disclose account details directly to the US tax authority with the consent of the US clients concerned. Where US clients do not give their consent, the United States must request this data through normal administrative assistance channels.[95] Negotiations are under way to change from Model 2 to Model 1, which provides for the automatic and reciprocal exchange of information.

4.182. Pursuant to the Joint Statement between Switzerland and the United States to end the tax dispute between Swiss banks and United States signed in August 2013 and the unilateral Swiss Bank Program of the US Department of Justice that was announced at the same time, 80 Swiss banks have participated in the programme as so-called category 2 banks and have concluded Non-Prosecution Agreements.

4.4.2.1.2.1 Regulatory framework for banking services

4.183. The main developments during the period under review that relate specifically to banking services concern prudential measures.

4.184. Thus, steps were taken to ensure compliance with international banking standards. In 2015, the Financial Market Supervisory Authority (FINMA) introduced reporting requirements on the liquidity coverage ratio for testing purposes as a preparatory measure. In 2016, the Capital

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[89] As particularly noteworthy features of the amended financial market infrastructure rules, the authorities point to the pre- and post-trade transparency requirements for trading venues and organized trading facilities, and the clearer definition of rules on combating the negative effects of high-frequency trading and of clearing, notification, and risk mitigation duties in derivatives trading.

[90] Federal Law of 15 June 2018 on Financial Services (RS 950.1).

[91] Federal Law of 15 June 2018 on Financial Institutions (RS 954.1).

[92] In 2016, the Financial Action Task Force identified certain deficiencies in Switzerland's rules on money laundering and terrorist financing. In a follow-up report published in 2020, it recognized the recent improvements made by Switzerland in this area. Financial Action Task Force (2020), *Anti-Money Laundering and Counterterrorist Financing Measures. Switzerland: 3rd Enhanced Follow-up Report & Technical Compliance Re-Rating.*

[93] This revised Ordinance, *inter alia*, sets out in more detail the requirements for global monitoring of money laundering risks.

[94] The revised Anti-Money Laundering Law and the corresponding amendments to the Anti-Money Laundering Ordinance are expected to come into force in the course of 2022.

[95] State Secretariat for International Finance, *FATCA Agreement.*

Adequacy Ordinance and the FINMA circular "credit risks – banks" were aligned with the revised Basel III banking standards, enhancing capital requirements for derivatives, central counterparty positions, banks' equity investments in funds, and securitizations. As of 2018, the leverage ratio became a legally binding requirement. As of 2019, the Basel Committee on Banking on Supervision (BCBS) Large Exposure framework had been put in place, and so were the new Pillar 2 approach to Interest Rate Risk in the Banking Book and the updated BCBS Disclosure Standards. The net stable funding ratio requirement entered into force on 1 July 2021.

4.185. On 21 October 2015, the Federal Council defined new capital adequacy standards for systemically important banks and took measures to reinforce the "too big to fail" (TBTF) regime. Under the current regulations, the two global systemically important banks (UBS and Credit Suisse) are subject to a leverage ratio of 5% ("going concern" capital, i.e. capital to absorb current operating losses). The 5% relates to the bank's total leverage ratio exposure as a measure of its on- and off-balance sheet positions. At least 3.5% of this must be held in the form of Common Equity Tier 1 capital (CET1) and the remainder in Additional Tier 1 instruments, which would be converted or written down if the risk weighted assets (RWA)-based CET1 ratio falls below 7% ("high trigger").

4.186. In addition, the two global systematically important banks must hold loss-absorbing debt capital, measured in terms of total leverage ratio exposure, of equal size to their going-concern capital requirement (subject to a discount, for increased resolvability). This bail-in capital ("gone concern" capital, i.e. capital to fund an orderly resolution) is earmarked for use in the event of resolution. The result in terms of risk-weighted requirements is, before discount, a total of up to 28.6%, consisting of 14.3% for each requirement category (going concern and gone concern). Of the 14.3% RWA-based going-concern requirement, at least 8.6%-10% must be held in the form of CET1 capital. In addition, the Federal Council decided that Swiss emergency plans drawn up by the global systemically important banks had to be ready for implementation by the end of 2019.

4.187. The Swiss TBTF framework, which is reviewed every two years, currently requires the three domestic systematically important banks (Raiffeisen, Zurich Cantonal Bank, and PostFinance) to also hold loss-absorbing debt capital to fulfil going-concern requirements, amounting to 40% of their going-concern capital requirements (vs. 100% in case of the two global systematically important banks). These going-concern requirements can also be met with Tier 1 capital, which in turn may then no longer be used to meet going-concern requirements. Using Tier 1 capital has the effect of lowering the gone-concern requirements within a predefined range.

4.188. IMF directors recently welcomed the resilience of the Swiss banking sector. They highlighted the need to monitor asset quality and risks closely, particularly those related to residential and commercial real estate. They recommended that the authorities review and expand the macroprudential toolkit to enhance their ability to react swiftly to financial stability risks. They looked forward to further progress in implementing the 2019 Financial Sector Assessment Programme recommendations.[96]

4.189. In December 2021, the Federal Assembly adopted amendments to the Banking Law[97] to strengthen provisions on the protection of bank deposits.

4.190. Apart from the above-mentioned regulatory developments, the legal regime for banking services remained largely unchanged during the review period. The State Secretariat for International Finance (SIF) is responsible for the coordination and strategic management of international financial, monetary, and tax matters, while FINMA is responsible for the financial supervision and issuance of subordinate banking regulations.[98] The SNB has the task of contributing to the stability of the financial system. The SNB also oversees systemically important payment systems, central counterparties, and central securities depositories.

4.191. Switzerland's commitments in FTAs are substantially similar to its commitments under the GATS. Regarding bilateral agreements and memoranda of understanding (MOUs) on prudential

[96] IMF (2021), *Switzerland: Staff Report for the 2021 Article IV Consultation*, IMF Country Report No. 21/130.

[97] Banking Law of 8 November 1934 (RS 952.0), as amended.

[98] FINMA regulates through ordinances of its own only where it has explicit authorization to do so. These ordinances serve, for example, to determine technical details, or to provide regulation in areas subject to particularly dynamic change. FINMA also publishes circulars explaining how it carries out its supervisory duties.

regulation and supervision, FINMA has concluded banking-specific or multi-sectoral MoUs with supervisory authorities of 30 jurisdictions. The largest Swiss banks under foreign control (assets of more than CHF 10 billion in 2020) are from the United Kingdom, Brazil, France, Greece, and Luxembourg. FINMA has concluded single-institution-specific as well banking-specific agreements with all of these countries. These MoUs govern the coordination of supervisory activities, as well as the exchange of information relevant for supervision. In general, FINMA recognizes the consolidated supervision of foreign authorities, if the countries adhere to the relevant Basel Core Principles. As there is no multilateral framework for the banking sector, 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 International Organization of Securities Commissions Enhanced Multilateral MoU.

4.192. There were no major changes to the licensing regime for banks.[99] The requirements that must be met to obtain a licence from FINMA to operate a bank involve classical "fit and proper" criteria[100], a guarantee by natural persons or legal entities with a qualified participation[101] that their influence will not impact the bank's prudent and solid business activity negatively, and an obligation for the persons entrusted with management to be domiciled in a place where they can physically manage the bank in a responsible manner.[102]

4.193. Requirements are the same for Swiss and foreign banks, but 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 a licence only if: (i) the foreign bank is appropriately organized, employs adequately qualified staff, and has financial resources to operate a branch in Switzerland; (ii) the foreign bank and branch are subjected to adequate supervision; (iii) the competent foreign supervisory authorities make no objection to the establishment of a branch; (iv) the competent foreign supervisory authorities state that they will immediately inform FINMA if circumstances arise that may seriously jeopardize the interests of the bank's creditors; (v) the competent foreign supervisory authorities are able to provide FINMA with official support; (vi) the licensing requirements set out in Article 3*bis*, paragraph 1, of the Banking Law are met (reciprocity and adequate company name); (vii) the branch meets the licensing requirements of the Banking Law and has a regulation that precisely defines its business activities and provides adequate organization; and (viii) the foreign bank provides evidence that the company name of the branch qualifies for entry in the Commercial Register.[103]

4.194. The Banking Law and Banking Ordinance apply to foreign banks in the same way as to Swiss banks, subject to special provisions set out in the Foreign Banks Ordinance. These special provisions relate capital adequacy and risk distribution, the full application of Swiss regulation if foreign regulation is not equivalent, the requirement of collateral if necessary for depositor protection, and the requirement of adequate consolidated supervision by a foreign supervisor.[104]

4.4.2.1.2.2 Regulatory framework for insurance services

4.195. The main regulatory changes during the period under review concerning insurance relate to consumer protection and to supervision as well as to bilateral relations.

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[99] As defined by the Banking Law, the Banking Ordinance of 30 April 2014 (RS 952.02), and the Foreign Banks Ordinance of 21 October 1996 (RS 952.11). One of the amendments to the Banking Law made during the review period introduces specific rules on the legal form a bank must take to enable effective supervision. Banking Law, Article 1(c).

[100] These criteria include clear scope of business; adequate organization; creation of separate bodies for management and on the other hand for direction, supervision, and control for all operators except small private bankers and securities firms neither trading for the account of clients nor acting as market makers; disclosure of the minimal fully paid-in share capital; and good reputation of the persons in charge of administration and management of the bank.

[101] Qualified participation means that persons or entities directly or indirectly participate in at least 10% of the capital or the voting rights of a bank or may otherwise be able to exercise considerable influence over the bank.

[102] Banking Law, Article 3.

[103] Foreign Banks Ordinance, Article 4.

[104] Foreign Banks Ordinance, Articles 3, 4, and 7.

4.196. Regarding consumer protection, a partial revision of the Insurance Contract Law[105] was adopted by the Federal Assembly in 2020 and entered into force in January 2022. The Insurance Contract Law governs the contractual relationship between insurance companies and their clients. The revision covers issues such as client segmentation (e.g. professional vs. retail clients), written form requirements (inclusion of electronic formats), revocation right, provisional cover, assumption of approval, limitation periods, termination options, statutory deadlines, pre-contractual duty to provide information, pre-contractual duty of disclosure, amendment clauses, continued liability and pending insurance claims, right to claim directly/right to information, and compulsory liability.

4.197. The Insurance Supervision Law[106], which sets out how Switzerland exercises supervision over insurance companies and insurance intermediaries, is undergoing a partial revision in a parliamentary debate. The revision is aimed at protecting insured persons from abuse and the insolvency risks of insurance companies and should provide for rules for recovery and resolution, matching the specific requirements of the insurance business. In addition, the following topics are on the agenda: a sophisticated customer-protection-based regulatory and supervisory approach, strengthening of group supervision, and possible inclusion of supervision of branches of foreign insurance companies conducting reinsurance business.

4.198. On 24 January 2019, Switzerland and the United Kingdom concluded an agreement on direct insurance other than life insurance. This agreement replicates the terms and ensures the continuity for Swiss and UK insurers of the 1989 agreement between Switzerland and the European Union. It allows non-life insurance companies to branch into one jurisdiction from the other with greater ease through mutual recognition of solvency requirements.[107]

4.199. Switzerland's commitments on insurance in FTAs are substantially similar to its commitments under the GATS. 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 a signatory to the International Association of Insurance Supervisors multilateral MoU.

4.200. SIF is the agency responsible for defining insurance sector policy, while the supervision of the insurance sector is ensured by FINMA.

4.201. Regarding licensing, the criteria for assessing applications for an insurance licence are based on organizational, legal, capital, and solvency requirements. Direct life insurance companies may only operate another class of insurance: accident and health. Regarding additional requirements imposed on foreign companies in the licensing process, without prejudice to international agreements, a foreign insurance company that intends to commence an insurance activity in Switzerland must, in addition: (i) be authorized to carry out an insurance activity in its home state; (ii) establish a permanent establishment (i.e. branch) in Switzerland and appoint as its manager a person with a general power of attorney; (iii) have at its headquarters an amount of capital as set out in Article 8 of the Insurance Supervision Law (CHF 3-CHF 20 million depending on the sector) and fulfil at its headquarters the solvability requirements that also encompass the business activity in Switzerland; (iv) be in possession of an organizational fund in Switzerland as in Article 10 of the Insurance Supervision Law and the corresponding assets; and (v) deposit a collateral amount in Switzerland that corresponds to a defined proportion of the solvability margin attributable to the business within Switzerland.[108]

4.202. There is no limitation on the number of providers. The period of validity of a licence is unlimited. Licences are specific to the licensed institution and are therefore not transferrable. FINMA is the sole competent authority to evaluate licence applications and to grant licences to private insurers. Insurance regulation and supervision are at the federal level, as there are no licensing requirements or regulations at cantonal level for private-sector insurance. In terms of prudential regulations, FINMA does not treat state-owned firms differently from other domestically owned firms. However, FINMA is not the responsible supervision authority for insurance carriers governed by public law (even if public insurers offer private insurance contracts in addition to their core business), and public insurers might also be subject to regulations at the cantonal level. In certain areas, FINMA

[105] Insurance Contract Law of 2 April 1908 (RS 221.229.1), as amended.
[106] Insurance Supervision Law of 7 December 2004 (RS 961.07), as amended.
[107] WTO document S/C/N/1039, 12 January 2021.
[108] Insurance Supervision Law, Article 15.

and other Swiss supervisory authorities (e.g. Federal Office of Public Health) have shared competences (for example, in relation to accident insurance and pension funds).

4.203. FINMA does not treat domestically owned firms and foreign-owned subsidiaries differently, but there a few different requirements for branches (see developments on licensing above).

4.204. As a rule, FINMA recognizes the consolidated supervision of foreign authorities. FINMA generally cooperates with the home country supervisor, and foreign branches are not required to undergo the Swiss Solvency Test. Usually there is no freedom of service (e.g. in general no cross-border direct insurance business) and all branches of foreign insurers must fulfil all the legal requirements and be supervised by FINMA (excluding reinsurance branches of foreign insurance companies, which are currently not supervised by FINMA). Future legislative amendments are expected to subject branches of foreign reinsurance companies to the supervision of FINMA.

4.205. The minimum capital requirement to obtain a licence is between CHF 3 million and CHF 20 million, subject to sector-specific provisions, i.e. depending on the business model, the requirement for life insurers is CHF 5 million-CHF 12 million; for non-life-insurers, CHF 3 million-CHF 8 million; and for reinsurers, CHF 3 million-CHF 10 million. In general, there is no requirement for premiums and products to be approved, although the latter must comply with the respective legal requirements. However, tariffs and general insurance conditions to be used in Switzerland to insure all risks in employee pension plans and in supplementary health insurance must be approved by FINMA. In the case of natural hazard insurance, FINMA also requires its scope of coverage and premium rating to be uniform and binding for all insurers.

4.206. In its recent strategy for financial services, *Leading Worldwide, Rooted in Switzerland: Policy for a Future-Proof Swiss Financial Centre*, the Federal Council indicates that to reduce the complexity of regulation and oversight for small companies it is considering the introduction of an insurance company regime similar to that for small banks.

4.4.2.1.2.3 Regulatory framework for financial market infrastructures

4.207. The main regulatory change in this area was the introduction of a complete regulatory framework for central counterparties and for trade repositories by the Financial Market Infrastructure Law that entered into force in 2016. On the international level, a significant development was the non-extension of the EU equivalence for Swiss stock markets and the protective measures taken by Switzerland in this regard.

4.208. Regarding central counterparties, a central counterparty registered abroad must obtain FINMA recognition before it grants supervised Swiss participants direct access to its facilities, provides services for a Swiss financial market infrastructure, or enters into an interoperability agreement with a Swiss central counterparty. FINMA shall grant recognition if the foreign central counterparty is subject to appropriate regulation and supervision and if the competent foreign supervisory authorities do not have any objections to the cross-border activity of the foreign central counterparty and guarantee that they will inform FINMA if they detect violations of the law or other irregularities on the part of Swiss participants and provide FINMA with administrative assistance. FINMA may refuse recognition if the State in which the foreign central counterparty has its registered office does not grant Swiss central counterparties actual access to its markets or does not offer them the same competitive opportunities as those granted to the central counterparties of the State in question.[109] Very similar rules apply to the recognition of foreign trade repositories.[110] This possibility to refuse recognition on grounds of lack of reciprocity is subject to international obligations (FTAs or GATS), and there are no cases where FINMA refused such recognition on this basis.

4.209. In July 2019, Switzerland adopted a protective measure against the backdrop of the European Union's decision not to extend the recognition of the equivalence of Swiss stock exchange regulation. Such withdrawal of stock exchange equivalence would in effect have banned EU investment firms from trading certain stocks on Swiss stock exchanges. Under this protective measure, FINMA has approved trading venues in, *inter alia*, the United States, Mexico, Singapore, and the United Kingdom for the trading of Swiss issuers' shares. The measure was taken on a temporary basis and remained in force until 31 December 2021. In November 2021, the Federal

[109] Financial Market Infrastructure Law, Article 60.
[110] Financial Market Infrastructure Law, Article 80.

Council agreed to extend the measure to protect the Swiss stock exchange infrastructure, and to initiate the consultation procedure on incorporating it into ordinary law. The Federal Council considers that Switzerland meets all the requirements for unrestricted recognition of the equivalence of Swiss stock exchange regulation by the European Union, and unlimited stock market equivalence remains its objective.[111]

4.210. Securities dealers must provide information and ensure internal separation of their trading, portfolio management, and settlement business and have a minimum fully paid-up capital of CHF 1.5 million. Foreign securities dealers may request FINMA authorization to establish a Swiss branch. They must provide information and evidence of adequate organization, sufficient financial resources, and qualified staff. They must also be subject to appropriate supervision. In addition, the foreign supervisory authorities must not object to cross-border operations and provide administrative assistance and information to FINMA.

4.211. Foreign participants may request FINMA authorization to participate in Swiss trading venues.[112] FINMA shall grant such authorization to foreign participants if, among other requirements, they are subject to appropriate supervision and regulation and if the competent foreign supervisory authority does not object to cross-border operations and provides administrative assistance to FINMA.[113] Foreign trading venues can obtain recognition to grant direct access to their facilities to Swiss participants supervised by FINMA if they are subject to appropriate supervision and regulation. Additionally, the competent foreign supervisory authorities must consent to cross-border operations and provide administrative assistance and information to FINMA.[114] FINMA shall grant recognition if the foreign trading venue is subject to appropriate regulation and supervision, and if the competent foreign supervisory authorities do not have any objections to the cross-border activity of the foreign trading venue and guarantee that they will inform FINMA if they detect violations of the law or other irregularities on the part of Swiss participants and provide FINMA with administrative assistance. FINMA may refuse recognition if the State in which the foreign trading venue has its registered office does not grant Swiss trading venues actual access to its markets or does not offer them the same competitive opportunities as those granted to domestic trading venues. However, this possibility is subject to any other international obligations (FTAs or GATS). In practice, there are no cases where approval was refused on the grounds of lacking reciprocity.

4.212. All licences regarding securities services/stock markets have an unlimited period of validity. They are not transferrable. There is no limitation on the number of providers and no restrictions on foreigners buying and selling on the stock market.

4.4.2.1.2.4 Regulatory framework for pension fund services

4.213. The main change in the regulatory regime of pension fund services during the period under review concerns the entity in charge of regulating these services. The new Financial Services Law and Financial Institutions Law, which entered into force in 2020, provide uniform rules regarding authorization and supervision of all financial services providers. As a result, asset managers operating in the area of occupational pension provision will no longer be authorized and supervised by a sectoral regulator but by FINMA, either directly or indirectly through a monitoring body, depending on thresholds defined by the Financial Services Law. The remainder of the regulatory framework for pension funds did not change.[115]

4.4.2.1.2.5 Regulatory framework for mutual fund services

4.214. The main development regarding the regulatory framework for mutual fund services was the adoption on 19 August 2020 by the Federal Council of the dispatch on amending the Collective Investment Schemes Act.[116] The bill exempts certain collective investment schemes from the

[111] Federal Council (2021), "Federal Council Extends Duration of Measure to Protect Swiss Stock Exchange Infrastructure and Initiates Consultation", 17 November.

[112] The 1995 Stock Exchanges Law was repealed on 1 January 2020. Its provisions on trading venues and market conduct were substantially taken over in the Financial Market Infrastructure Law in 2016 and its provisions concerning securities dealers were materially transferred into the Financial Institutions Law in 2020.

[113] Financial Market Infrastructure Law, Article 40(1).

[114] Financial Market Infrastructure Law, Article 41(2).

[115] See WTO document WT/TPR/S/355/Rev.1, 22 September 2017, Section 4.3.1.1.3.

[116] Federal Council (2020), "Federal Council Adopts Dispatch on Amending Collective Investment Schemes Act", 19 August.

requirement to obtain authorization and approval from the supervisory authority, on condition that they are reserved exclusively for qualified investors and are not offered to the general public. Moreover, they must be managed by institutions supervised by FINMA. Collective investment schemes of this kind are known as Limited Qualified Investor Funds. The Federal Assembly adopted the bill in December 2021. It is not expected to come into force until the start of 2023 at the earliest.

4.215. The regulatory regime for collective investment schemes changed only marginally during the period under review. The Financial Services Law replaced the term "distribution of collective investments" with the more general concept of "offering", while maintaining the exceptions. It also introduced an obligation for client advisors of Swiss financial services providers not subject to FINMA supervision and client advisors of foreign financial services providers to register in an advisor register. Two other changes are that since the entry into force of the Financial Institutions Law in 2020 banks and securities firms are now no longer allowed to carry out fund management activities and that the obligation to obtain a licence for the distribution of collective investment schemes has been repealed.

4.216. Collective investment schemes or occupational pension schemes must establish appropriate corporate management rules and be organized in such a way that they can fully fulfil their statutory duties. The financial institution as well as the persons responsible for its administration and management must provide a guarantee of irreproachable business conduct. Moreover, good reputation and professional qualifications of the manager and for the persons responsible for the administration, 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 and having adequate own funds) are required. Swiss collective investment schemes also require authorization from FINMA.

4.217. Foreign collective schemes must be approved by FINMA before they can be offered in Switzerland to non-qualified investors. They must also appoint a representative and a payment service in Switzerland. There are additional licensing conditions for foreign companies in case of establishment of a branch in Switzerland or in case of the establishment of a representation. The possibility of establishing a representative office is a new feature in the asset management sector and was introduced in 2020. Foreign fund management companies may not establish a branch or representative office in Switzerland. In the case of other institutions, FINMA may make the granting of authorization to establish a branch in Switzerland conditional on the guarantee of reciprocity by the state in which the foreign financial institution or foreigners holding qualified holdings have their domicile or registered office. Subsidiaries of foreign companies are treated like any company incorporated in Switzerland, regardless of the nationality of the owners. As part of the licensing and supervision process, they must inform FINMA of qualifying holdings and of whether certain thresholds have been exceeded or fallen below.

4.218. Asset managers of Swiss collective investment schemes based in Switzerland must be authorized by FINMA and are subject to its prudential supervision. Asset managers may be legal entities in the form of companies limited by shares, partnerships limited by shares or limited liability companies, general and limited partnerships, or Swiss branches of a foreign asset manager of collective investment schemes.

4.219. Foreign asset managers may request FINMA authorization to establish a Swiss branch of a foreign asset manager of collective investment schemes. They must provide information and evidence that: (i) the asset manager, including the branch, is subject to appropriate supervisory control at its registered office; (ii) the asset manager is adequately organized and has commensurate financial resources and qualified personnel to operate a branch in Switzerland; and (iii) an agreement on cooperation and the exchange of information between FINMA and the relevant foreign supervisory authorities is in place. Further, foreign asset managers may be delegated to manage Swiss collective investment schemes if they are subject to recognized supervision.

4.220. The period of validity of a licence is in general unlimited. Licences are not transferable, and there are no limitations on the number of providers.

4.4.2.1.2.6 Regulatory framework for fintech

4.221. In September 2020, the Federal Assembly adopted the Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology (DLT), which is a blanket law that triggered adaptations in 10 different laws. The three main changes brought about by this law are: (i) the Swiss civil law is amended to allow for a new ledger-based security that provides legal certainty for issuing and transferring securities on the blockchain; (ii) the Swiss insolvency law is amended to provide for a claim for surrender of crypto-based assets in case of bankruptcy; and (iii) the introduction of the DLT Trading facility as a new authorization type in Swiss financial markets supervisory law.

4.222. The so-called fintech-licence (officially named "person according to Article 1b Banking Law") entered into force on 1 January 2019. It defines the holders of these licences, whom it assimilates *mutatis mutandis* to banks, as "persons principally active in the financial service sector and who (a) accept professionally public deposits up to CHF 100 million or crypto-assets designated by the Federal Council and (b) neither invest nor remunerate these assets".[117] The Federal Council has designated crypto-assets as part of the larger DLT legislation, more specifically in Article 5(a) of the Banking Ordinance. Typically, institutions under the fintech-licence are active as payment service providers (including the issuing of debit cards). These payment services can be offered to retail customers as well as on a B2B basis (i.e. payment services for SMEs). Institutions under the fintech-licence are subject to substantially similar requirements as banks regarding anti-money laundering and terrorist financing.

4.223. During the licensing process, FINMA evaluates requirements such as adequate organization, qualification and reputations of management (fit and proper), corporate governance, risk management and compliance (including separation of functions), safekeeping of the deposits, and fulfilling of capital requirements. A further focus is laid on mitigation of conflicts of interest. Capital requirements for institutions under the fintech licence are intentionally kept simple. The minimum capital amounts to 3% of the deposits or at least CHF 300,000. The capital must be fully paid in and is to be held continuously. In specific cases, FINMA may require additional capital.

4.4.2.2 Liechtenstein

4.4.2.2.1 Overview of economic and regulatory developments in the financial services sector

4.224. Financial and insurance services represent the largest single commercial services sector of Liechtenstein as it accounted for 13.3% of GDP in 2015, 10.8% in 2016, 10.5% in 2017, 13.3% in 2018, and 11.5% in 2019.[118] The share of employment in financial services continued to grow steadily over the last years, standing at 10.1% in 2020 (from 9.7% in 2019, 9.5% in 2018, 9.3% in 2017, 8.9% in 2016, and 8.8% in 2015).[119] If one adds to these figures the contribution to GDP of the auxiliary services to financial services *lato sensu* i.e. legal and tax advice services and auditing[120], the financial services cluster contributed 20.9% of GDP and 16.8% of employment in 2019.[121]

4.225. Liechtenstein's financial centre has specialized over the years in private banking and wealth management, but it has significant banks that are also active in asset management and has developed significant fintech, e-payment, and cryptocurrency activities. The peculiarity of Liechtenstein compared to some other territories specialized in financial services is that the EU financial services regulations apply fully to Liechtenstein. As a member of the European Economic Area (EEA), Liechtenstein must incorporate, implement, and apply the EU acts incorporated into Annex IX (Financial Services) of the EEA Agreement.

[117] Banking Law of 8 November 1934 (RS 952.0), as amended, Article 1(b).
[118] Information provided by the authorities.
[119] Information provided by the authorities.
[120] As opposed to auxiliary services to financial services *stricto sensu* as defined by the Financial Services Annex of the GATS as "Advisory, intermediation and other auxiliary financial services on all the activities listed in subparagraphs (v) through (xv), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy".
[121] Information provided by the authorities.

4.226. A significant regulatory development during the period under review is the reinforcement of the anti-money laundering and counter-terrorism financing (AML/CFT) framework. Liechtenstein implemented the 4th AML Directive (EU) 2015/849 and the 5th EU AML Directive (EU) 2018/843 into national law. Relevant EU AML/CFT Regulations, such as Regulation (EU) 847/2015 on information accompanying transfers of funds, have been incorporated into the EEA Agreement and have direct effect.

4.227. The Liechtenstein Due Diligence Act[122] imposes special due diligence obligations on financial institutions (e.g. banks and investment firms, e-money institutions, payment institutions, insurance companies, and asset management companies) as well as designated non-financial business professions such as professional trustees, accountants, lawyers, dealers in goods, and real estate agents. The scope has been extended in recent years to virtual asset service providers and safe custody service providers as well as art dealers and letting agents conducting transactions above a certain threshold.

4.228. Based on the 4th and 5th EU AML Directives, Liechtenstein in 2021 undertook a revision of its central register of beneficial owners of legal persons and arrangements (including foundations, Anstalten/establishments, trusts, and similar entities or arrangements) that had been introduced in 2019. The Financial Intelligence Unit, the Financial Market Authority, the National Police, the Tax Administration, the Office of the Public Prosecutor, the Court of Justice, and the Liechtenstein Chamber of Lawyers may access the Register for the purpose of fighting money laundering, predicate offenses to money laundering, and terrorist financing. The data are also disclosed to banks and financial institutions domiciled in any EEA Member State or in certain third states for the purpose of fulfilling AML/CFT obligations or acts into fighting money laundering, predicate offenses to money laundering, and terrorist financing. Other domestic and foreign persons and organizations may also apply to the Office of Justice for disclosure of the data entered in the Register. This application is subject to a fee. Based on the 5th EU AML Directive, Liechtenstein introduced a centralized bank account register in 2021. The respective legal provisions are set out in the Due Diligence Act and in the Ordinance on the Central Register of Accounts.[123]

4.229. The number of banks declined from 16 in 2015 to 13 in 2020. Of the existing 13 banks in 2020 (2021: 12 banks), 8 banks have majority shareholders in Liechtenstein, whereas 5 banks have foreign majority shareholders: one with a Luxembourg majority shareholder, one Luxembourg amity-owned, two Hong Kong, China amity-owned (i.e. 100% owned), and one Swiss amity-owned. The main indicators of the banking sector appear healthy (Table 4.23).

Table 4.23 Evolution of main indicators of the banking system, 2015-20

(CHF billion)

	2015	2016	2017	2018	2019	2020
Total assets under management in the banking system[a]	209	234	294	305	350	365
Total balance sheet of the banking system	73	74	82	86	93	95
Net operating income of the banking system	1.9	2.0	2.4	2.6	2.8	2.8

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 investment undertakings and asset management companies to domiciliate assets in a local bank.

Source: Information provided by the authorities.

4.230. Regarding the regulatory regime for banking services, the main regulations remain the Banking Law of 1992 and the corresponding Banking Ordinance. The supervisory authority is the

[122] Law of 11 December 2008 on Professional Due Diligence for the Prevention of Money Laundering, Organized Crime and Financing of Terrorism (LR 952.1), as amended.

[123] A report issued in 2014 acknowledges that "Liechtenstein has made significant steps and achieved considerable progress since the last mutual evaluation, particularly in bringing its legal framework more closely in line with the FATF recommendations, consolidating an overall robust institutional framework for combating money laundering (ML) and terrorist financing (TF) and moving towards greater transparency". Council of Europe-MONEYVAL (2014), *Anti-Money Laundering and Combating the Financing of Terrorism: Principality of Liechtenstein*. The next MONEYVAL report on Liechtenstein's compliance with the Financial Action Task Force recommendations is expected to be published in June 2022.

Financial Market Authority (FMA). A significant development was the vote by Parliament in July 2019 to cancel the limited guarantee (on savings and medium-term bonds) granted to the Liechtensteinische Landesbank by the State. In addition, following its "early adopter" approach for the first EU financial package, the Government recently launched the consultation process to amend the Banking Law to implement the EU banking package.[124] The amendments to Liechtenstein law are to enter into force on 1 May 2022, independently of the EEA incorporation procedure. With the new provisions, the Liechtenstein banking centre will meet the international Basel III standards with regulation on a level playing field with the rest of the European single market.

4.231. While Liechtenstein's banking, securities, insurance, and accounting legislation is based on EU legislation, the national accounting rules for financial institutions (mainly banks, which are not quoted) are also similar to the accounting rules of the Swiss FINMA. Banks in Liechtenstein and Switzerland have very similar principles of accountancy, and the structure of the balance sheet and the income statement are practically identical. Both countries apply similar valuation rules.

4.232. On licensing, the legal basis remains Directive 2013/36/EU (Capital Requirements Directive for Banks) and Directive 2014/65/EU (Markets in Financial Instruments Directive) for investment firms, as transposed in the Banking Law. The law requires a licence from the FMA to commence operations, which may only take the legal form of limited companies, subject to exceptions that may be granted by the FMA. The head offices and the principal management must be domiciled in Liechtenstein. The minimum required fully paid-up initial capital is CHF 10 million for banks and CHF 730,000 (or the equivalent in euros or US dollars) for investment firms. After commencing business activity, the own funds may never be lower than the amount of the fully paid-up initial capital. The members of the board of directors may have their domicile outside of Liechtenstein if they fulfil the obligations of their functions; they must be authorized to fully represent their company. 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.

4.233. Banks and investment firms from outside the EEA may in principle offer their services in Liechtenstein only through a local subsidiary. The establishment of such a subsidiary requires a licence granted by the FMA. Investment firms and banks domiciled in another EEA Member State may offer their services in Liechtenstein under the freedom to provide services ("cross-border") or the right to establishment (branch) subject to relevant EEA law, provided that the services offered are covered by their national authorization.

4.234. Finally, regarding bank deposit insurance schemes, the Liechtenstein Bankers Association established the Liechtenstein Deposit Guarantee and Investor Protection Foundation of the Liechtenstein Bankers Association, 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 (CHF 100,000). All banks operating in Liechtenstein participate in this scheme.

4.4.2.2.1.1 Economic and regulatory developments in the asset management and investment undertakings sector

4.235. The total number of asset management firms (in the wider sense but excluding banks) grew by nearly one tenth, from 993 in 2015 to 1,088 in 2020, but this differed depending on the legal forms used. While the number of collective investment schemes grew by nearly one fifth (from 494 in 2015 to 591 in 2020), the number of authorized trustees grew by nearly one third (from 114 in 2015 to 147 in 2020). Assets managed by collective investment schemes increased from CHF 44.85 billion in 2016 to CHF 59.1 billion in 2020, while assets managed by asset management companies grew from CHF 33.3 billion in 2015[125] to CHF 53.0 billion in 2020.

[124] This involves Directive (EU) 2019/878, and Regulations (EU) 2019/876 and 2020/873.

[125] 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 investment undertakings and asset management companies to domiciliate assets in a local bank.

4.236. The structure and the evolution of Liechtenstein's regulatory regime for collective investment schemes and of asset management companies reflect the relevant EU legislation via either the EEA transposition or via an early and autonomous transposition.

4.237. For collective investment schemes, the main laws are the 2016 Law on Investment Undertakings[126], the 2011 Law on Certain Undertakings for Collective Investment in Transferable Securities[127] (UCITSA), and the Law on Alternative Investment Fund Managers[128] (AIFMA). UCITSA and AIFMA implement relevant EU Directives and their application is subject to directly applicable EU Regulations and Guidelines from the European Supervisory Authorities. Since 2 August 2021, Directive (EU) 2019/1160 and Regulation (EU) 2019/1156 with regard to cross-border distribution of collective investment undertakings were implemented autonomously into the national UCITSA and AIFMA, as the funds market in Liechtenstein is very export oriented.[129]

4.238. The EU Regulation on Money Market Funds[130] entered into force on 2 August 2021 by way of autonomous integration in UCITSA and AIFMA. The European Venture Capital Funds Regulation[131], the European Social Entrepreneurship Regulation[132], and the European Long-Term Investment Funds Regulation[133] will be implemented the same way. Furthermore, preparatory work is being conducted to prepare to implement the EU rules on sustainable finance. Indeed the adoption of sustainable finance legal acts is a priority of Liechtenstein and the autonomous transposition of the sustainable finance legal act is foreseen for May 2022.

4.239. In terms of licensing, any collective investment scheme requires a licence from the FMA. Collective investment schemes are divided into investment funds on a contractual basis (common contractual fund trusteeships and investment companies with variable capital). Furthermore, investment funds (without UCITS) may be constituted under a partnership (investment limited partnership or investment partnership of limited partners). The minimum required fully paid-up capital is CHF 1 million for management companies under the IUA and EUR 125,000 or the equivalent amount in Swiss francs for UCITS management companies and AIFMs (internally managed investment companies or alternative investment funds EUR 300,000 or the equivalent amount in Swiss francs). Investment companies must be incorporated as public limited companies. Regardless of form, all investment funds must have a custodian bank, registered in Liechtenstein. For the most part, the management company of collective investment schemes in Liechtenstein is domiciled in Liechtenstein. According to notification procedures, the management companies can be domiciled in another EEA country and manage Liechtenstein collective investment schemes from there.

4.240. The regulatory regime for asset management companies is the 2005-2006 Law on Asset Management (AMA[134]) and the Banking Law. The AMA and the Banking Law were significantly modified to implement the second EU Directive on markets in financial instruments[135], which entered into force on 1 January 2018. AMA is applied in conjunction with the EU Regulation on European Markets in Financial Instruments Regulation[136], EU Commission Delegated Regulations, and Guidelines from the European Supervisory Authorities, which enable asset management companies to have direct market access to the EEA.[137] The new EU prudential framework for investment firms

[126] IUA, *Liechtensteinisches Landesgesetzblatt* (LLG) (2016), No. 045.

[127] UCITSA, LLG (2011), No. 295.

[128] AIFMA, LLG (2013), No. 49.

[129] Cross-sectoral EU legislation, such as the European Market Infrastructure Regulation, the Securities Financing Transactions Regulation, the Short Selling Regulation, the Central Depository Regulation, the Market Abuse Regulation, and the Benchmarks Regulation may also be applicable to Collective Investment Scheme and their management companies.

[130] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds.

[131] Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds.

[132] Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.

[133] Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

[134] LLG (2005), No. 278.

[135] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast).

[136] Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012.

[137] Asset management companies may also be subject to relevant EU cross-sectoral legislation.

(Directive (EU) 2019/2034 and Regulation (EU) 2019/2033) is expected to result in significant amendments of the AMA and the Banking Law, and it is possible that a dedicated Law on Investment Firms will be adopted.

4.241. The licensing conditions for asset management companies are a minimum fully paid-up capital requirement of CHF 100,000, the fulfilment of organizational requirements, and a local presence in Liechtenstein.

4.4.2.2.1.2 Economic and regulatory developments in the insurance sector

4.242. The number of insurance companies declined slightly (from 41 in 2015 to 36 in 2020, minus 3 for non-life, minus 2 for life, no change for reinsurance), but the number of employees nearly doubled (from 596 to 1,001), an evolution that can be explained by the implementation of the new supervisory "Solvency II" regime, which triggers a need for additional staffing in governance and reporting areas.[138] Gross premiums grew by 66% during the same period, which is essentially due to the development of the non-life insurance business. However, they stabilized in 2019-20. The proportion of captives remains high by international standards, as Liechtenstein is a valuable market for larger entities, especially those headquartered in Switzerland, to serve both the EEA and Swiss markets. The capital investment of the insurance sector slightly diminished from CHF 29.1 billion in 2014 to CHF 27.7 billion in 2020.[139]

4.243. The number of foreign branches grew from 14 to 19. Cross-border activities grew too, as the number of EEA undertakings having registered their potential intention to provide cross-border insurance services grew from 355 to 438.[140]

4.244. The supervisory regime for insurance services was completely revamped with the entry into force on 1 January 2016 of the revised Insurance Supervision Law and its associated ordinance.[141] This act transposed the EU Solvency II Directive[142] into national law. Solvency II is a risk-based system that defines new requirements regarding governance, risk management, and reporting. It provides qualitative and quantitative tools available to supervisory authorities, allowing them to assess the total solvency of an insurance undertaking.

4.245. In terms of licensing conditions, 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 license. Insurance companies are prohibited from undertaking non-insurance activities. Cross-border provision of insurance services by EEA companies is possible, provided the insurance undertakings have the necessary solvency margin.

4.246. Among non-EEA countries, Switzerland benefits from a preferential status. Based on a bilateral agreement in force since 1998, insurance undertakings domiciled in Switzerland or Liechtenstein enjoy 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. Other non-EEA-country insurance undertakings require authorization to operate in Liechtenstein and must establish a subsidiary or a branch office.

4.4.2.2.1.3 Economic and regulatory developments in the fintech e-payments and cryptocurrencies sector

4.247. The provision of e-money services (issuing of electronic money and provision of payment services by issuers of electronic money) is governed by the Electronic Money Law of 2011[143] and its corresponding Electronic Money Ordinance[144], as well as by new legislation adopted during the period

[138] Information provided by the authorities.
[139] Information provided by the authorities.
[140] Information provided by the authorities.
[141] Respectively, LLG (2015), No. 231 and LLG (2015), No. 239.
[142] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast).
[143] LLG (2011), No. 151, as amended.
[144] LLG (2011), No. 158, as amended.

under review, the Payment Services Law of 2019[145] and its corresponding Payment Services Regulation.[146] All of these legal instruments are based on EU Directives 2009/110/EG (E-Money-Directive)[147] and (EU) 2015/2366 (Payment Services Directive II).[148]

4.248. The Electronic Money Law lays down the prudential requirements for taking up the business of e-money institutions. Issuing electronic money requires a licence granted by the FMA. The Payment Services Law governs the provision of payment services and the operation of payment systems. To obtain a licence, e-money institutions must fulfil various conditions, *inter alia,* being a legal person and having their registered office and head office in Liechtenstein. The members of the board of directors may have their domicile outside of Liechtenstein, if they fulfil the obligations of their functions; they must be authorized to fully represent their company. The minimum required fully paid-up initial capital is CHF 350,000.

4.249. Depending on the licensed activity in question, there are different capital requirements. Under the Electronic Money Law, e-money institutions are required to hold the minimum required fully paid-up initial capital of CHF 350,000. Under the Payment Services Law, the minimum capital requirements for payment institutions differ depending on the type of payment services provided and authorized.

4.250. As of 31 December 2020, four e-money institutions were licensed in Liechtenstein with a total of CHF 27.7 million in assets and CHF 7 million in e-money issued.

4.251. Subject to relevant EEA law, e-money institutions from Liechtenstein, as well as from any other EEA Member State, may offer their services across the EEA under the freedom to provide services ("cross-border") or the right to establishment (branch). E-money institutions from outside the EEA may in principle offer their services in Liechtenstein only through a local subsidiary. The establishment of such a subsidiary requires a licence granted by the FMA.

4.252. Like the Payment Services Law and the Banking Law, the Electronic Money law contains provisions on qualifying holdings in an e-money institution, own funds requirements, requirements for safeguarding funds received from their customers, outsourcing of functions, the use of third parties or agents, external auditing, information exchange, cooperation between competent authorities, and FMA administrative and criminal sanctioning powers.

4.253. In 2019, Liechtenstein became the first country in the world to adopt comprehensive legislation on an emerging type of financial services providers, trustworthy technology ("TT") service providers. The Token and TT Service Provider Law[149] entered into force on 1 January 2020 together with the Ordinance on Tokens and TT Service Providers. This is autonomous legislation that does not derive from an EEA transposition of the EU acquis as the EU regulation in that respect is still under discussion.

4.254. The new law divides TT service providers into 10 categories: (i) Token Issuers: persons professionally offering tokens to the public in the name of third parties; (ii) Token Generators: persons who create original tokens on behalf of third parties; (iii) TT Key Depositaries and TT Token Depositaries: persons who safeguard tokens or private keys for third parties, e.g. in a safe or a collective wallet; (iv) TT Protectors: persons who hold tokens on TT systems in their own name on account of third parties; (v) Physical Validators: persons who ensure the enforcement of rights in accordance with the agreement, in terms of property law, to goods represented in tokens on TT systems; (vi) TT Exchange Service Providers: persons who exchange legal tender for tokens and vice versa as well as tokens for tokens; (vii) TT Verifying Authorities: persons who verify the legal capacity and the requirements for the disposal over a token; (viii) TT Price Service Providers: persons who provide TT system users with aggregated price information on the basis of

[145] LLG (2019), No. 213.
[146] LLG (2019), No. 233.
[147] Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of e-money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.
[148] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC, and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.
[149] Token and TT Service Provider Law (LR 950.6) of 3 October 2019.

purchase and sale offers or completed transactions; (ix) TT Identity Service Providers: persons who identify the person in possession of the right of disposal related to a token and who record it in a directory; and (x) TT Agent: a person who professionally distributes or provides TT services on behalf of and for the account of a foreign TT service provider.

4.255. TT Service Providers must hold a registration by the FMA prior to taking up business activities. An exception exists for persons who publicly offer tokens in their own name (own issuance) if the value of the tokens issued during 12 months does not exceed CHF 5 million. The registration obligation exists regardless of whether another licence has already been granted by the FMA. A bank licensed in Liechtenstein that safeguards tokens for clients must therefore additionally register as a TT Token Depositary. By the end of 2021, 18 TT providers had registered with the FMA, applying for 39 different TT services.

4.256. TT service providers are not subject to ongoing prudential supervision in the same way as licensed financial intermediaries (e.g. transparency obligations, comprehensive reporting obligations, or periodic external audits), but rather to event-driven supervision.

4.4.3 Transport services

4.4.3.1 Switzerland

4.257. Transport services account for nearly 4% of GVA and slightly more than 5% of employment.[150] Because of its location at the centre of Europe, its role as transit country, and its mountainous geography, Switzerland is faced with a large influx of international transit traffic and potential infrastructural bottlenecks. To address this challenge, it has developed over the last 30 years a voluntarist policy of transferring road traffic to rail traffic, through incentives and infrastructural rail spending as well as through regulations and taxation.

4.4.3.1.1 Surface transport services

4.258. The volume of surface freight transport remained stable between 2015 and 2019: railroad transport: 10,741 million net tonne-km in 2015 and 10,070 million net tonne-km in 2019; road transport: 17,171 million tonne-km in 2015 and 17,148 million tonne-km in 2019; oil pipelines: 113 million tonne-km in 2015 and 105 million tonne-km in 2019.[151] In 2019, road transport accounted for 63% of inland freight transportation while railways represented 37%. There was a slight increase in the volume of surface transport of persons. Transport of persons by rail increased from 194 million of trains-km in 2015 to 201 million of trains-km in 2019, and transport of persons by road increased from 333 million of journeys-km in 2015 to 362 million of journeys-km in 2019.[152]

4.4.3.1.1.2 Road transport services

4.259. Switzerland continued to develop its road transport infrastructure. Road infrastructure projects take the form of a strategic development masterplan for national roads submitted every four years by the Federal Council to the Federal Assembly. Presently 11 projects of a value of CHF 5.8 billion have been approved, while 48 additional projects of a value of CHF 10.2 billion have been programmed until 2040. Important recent projects, on the North-South axis, include the renovation of the rehabilitation tunnel of Belchen and the second tube of the Gotthard tunnel.

4.260. While the objective was to reduce the number of cross-alpine heavy vehicles (over 3.5 tonnes) road trips to 650,000 by 2018, the number of cross-alpine trips reached 898,000 in 2019 before declining to 863,000 in 2020. Thanks to the lowering of train path prices, the costs for rail freight transport decreased. In addition, since 1 July 2021, the performance-related heavy vehicle charge for older freight vehicles on the road has been raised. Previous measures, such as the construction of the New Rail Link through the Alps at the Gotthard tunnel and the 4-metre corridor for high-profile consignments, were completed in December 2020 and are now beginning to take full effect.

[150] FSO, *Industries Production Account*.
[151] Information provided by the authorities.
[152] Information provided by the authorities.

4.261. The legal regime for the provision of road transport services remained largely unchanged during the review period. The domestic conditions of establishment and operation are liberal. Established operators need to obtain a licence (other than a driving licence) to create a national road freight business (other than for transporting dangerous goods or goods for which sanitary assurances are required). These licences are granted based on technical, professional, and financial fitness and compliance with public safety requirements. The main regulatory change was the entry into force in January 2016 of new provisions of the Federal Law on Road Transport Undertakings.[153] The key changes made by these provisions are the extension of the licensing requirement to vehicles of more than 3.5 tonnes (previously 6 tonnes) and the introduction of the term "transport manager". The authorities indicate that these new rules on the "transport manager" are equivalent to EU rules.[154] In addition, the amendments created the legal basis for entering specific data in an electronic register to verify the reliability of a transport manager.

4.262. The Swiss regulator does not have any power to limit industry capacity through licences or otherwise. Professional bodies or representatives of trade and commercial interests are not involved in specifying or enforcing pricing guidelines or regulations. The Government does not regulate retail prices of road freight services, nor does it provide pricing guidelines to road freight companies.

4.263. Switzerland's relationship with the European Union in road transport continues to be governed by the bilateral agreement concluded in 1999. This agreement liberalizes road transport traffic, except for cabotage in the strict sense (i.e. transport within Switzerland or within a given EU member State), and provides for the mutual recognition of road transport licences, harmonization of technical standards, and coordination of transport policies, where combined rail-road transport is concerned. Cross-border bus transport between Switzerland and the European Union is regulated by the Overland Transport Agreement concluded in 1999, the provisions of which are equivalent to the internal EU rules.[155]

4.264. Data on the Swiss ECMT[156] multilateral quota show that Switzerland's international fleet of trucks is essentially composed of environmentally efficient vehicles.[157]

4.265. The more than 50 bilateral road transport agreements concluded by Switzerland with countries in Europe, Asia, and Africa are liberal compared to European bilateral agreements that follow the ECMT model agreement. New agreements were concluded during the review period with the Islamic Republic of Iran and the United Kingdom and entered into force in 2021. Bilateral and transit operations were liberalized with the Russian Federation in 2021. Bilateral, transit, and triangular operations were liberalized with the Republic of Moldova in 2016 and Ukraine in 2017. International passenger traffic between Switzerland and a third country (non-EU member State) is carried out on the basis of the bilateral agreement. The procedure differs from EU traffic in that cooperation between a Swiss transport company and a company from the third country in question is mandatory. Furthermore, a permit is not issued for the entire distance, but each state issues a permit that is valid only for its own territory.

4.266. Switzerland undertook no GATS commitments regarding road freight transport and only limited commitments for road passenger transport. However, in its subsequent FTAs, it has bound its liberal conditions of establishment, Mode 1 remaining unbound due to the existence of bilateral agreements.

4.4.3.1.1.3 Railway transport services

4.267. Switzerland has a very developed railways network, internationally connected, including to high-speed lines. In addition to passenger traffic, there is a significant international transit goods traffic through the Alps, notably between Germany and Italy. Railway transport is especially

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[153] Federal Law of 20 March 2009 on Road Transport Undertakings (SR 744.10), as amended.

[154] Regulation (EC) No 1071/2009 of the European Parliament and of the Council of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator and repealing Council Directive 96/26/EC.

[155] Regulation (EC) No 1073/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international market for coach and bus services, and amending Regulation (EC) No 561/2006 (Recast).

[156] Under the aegis of OECD, the European Conference of Ministers of Transport (ECMT) administers a system of road transport quotas. See WTO document S/C/W/324, 29 October 2010.

[157] International Transport Forum, *Distribution of ECMT Multilateral Quota*.

important in the context of Switzerland's policy of transferring a large part of cross-alpine transport of goods from road to rail.[158] The total length of the interurban railway network is 5,491 km, of which 5,467 km are electrified and 2,136 km are double-tracked. The number of passenger-km was 21,737 million in 2019, and the volume of freight in 2019 was 11.67 million tonne-km.[159]

4.268. Unlike many European countries, Switzerland has never had a regime of public monopoly in rail services. Instead, a large public company (SBB-CFF-FFS) coexists with several private companies, the number of which has diminished over time through mergers. This explains in part that Switzerland has developed mutual access to network legislation comparable, *mutatis mutandis*, to that of Japan and the United States. In addition to the three major Swiss network-owning companies, several foreign railways freight companies, most of them of German nationality, have created subsidiaries in Switzerland, and obtained an authorization of access to the Swiss network and the correlative safety certificate.

4.269. The legal regime governing railway transport results from three series of reforms that entered into force in 1999, 2005, and 2012-2013 and which aimed to align the Swiss regime with the first and second EU railway packages.[160] In 2020 and 2021, important elements of the third EU railway package and the so-called "Recast", a European Directive establishing a single European railway area, entered into force for Switzerland.[161] This package includes: (i) the institution of a body independent from the infrastructure manager to allocate train paths[162]; (ii) the adoption of equivalent legislation as in the European Union regarding passenger rights in the case of delays, cancellations, liabilities, and transport of bicycles; and (iii) a requirement that railway companies offering services on a railway network belonging to another infrastructure manager receive information and participation rights with regard to short- and medium-term investment planning. Switzerland has not transposed the provisions from the EU third railway package that concern the opening of the market in international rail passenger services.

4.4.3.1.1.4 Pipeline transport services

4.270. There are only two oil pipelines in Switzerland: one crude pipeline, which enters Switzerland from France and runs 32 km to VARO's Cressier refinery with a flow of 68,000 barrels/day; and one product pipeline, which runs for 12 km across Geneva canton to supply oil products to the region, including aviation fuels to Geneva airport with a flow rate of 330 m^3/hour.

4.271. The Swiss gas network has 13 international connections, of which 3 to the Transitgas system, the country's major gas transport backbone. Transitgas was built to transport gas from Germany and France to Italy; about five sixths of its transported volume is for transit and one sixth for the domestic market. In 2018, Transitgas was retrofitted for reverse flow (from Italy to Germany/France). The total gas network is almost 20,000 km, of which 292 km for Transitgas. There are no nationality requirements to own or manage pipelines.

4.272. According to the authorities, the Swiss gas market is only rudimentarily regulated. In 2012, industry associations and the gas industry established network access for large consumers under private law with the so-called "Associations' Agreement". Legal regulation of network access is planned with a new Gas Supply Law, which was in public consultation in 2019-20 In 2020, the Competition Commission decided in an individual case that network access should be open to all end

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[158] Federal Law of 19 December 2008 on the Transfer from Road to Rail of Heavy Freight Transport through the Alps (RS 740.1).

[159] Information provided by the authorities.

[160] The reforms transformed SBB/CFF into a limited company with private-sector employees, formalized the right of access for any railways company by instituting an arbitration commission, and separated the transport activities of railways companies from their infrastructure activities, from an accounting and an operational point of view. They then modernized the regime of interoperability and safety, reinforced the role of the arbitration commission, and defined the financing of protection services and the tendering procedures for the concessioning of regional passenger traffic.

[161] Railway Law of 20 December 1957 (RS 742.101), as amended; Law of 20 March 2010 on Passenger Transportation (RS 745.1), as amended (RS 742.101), Ordinance of 4 November 2009 on Passenger Transportation (RS 745.1), as amended, Ordinance of 31 August 2011 on Access to the Railway Network (RS 742.122), and Ordinance of 13 May 2020 on the Train Path Allocation Body (RS 742.123).

[162] The new body, the TVS capacity allocation body, is a federal not-for-profit entity under public law with a separate legal personality and became operational on 1 January 2021.

consumers. Until now, however, there are few third-party suppliers, and the local utilities remain the largest suppliers.

4.4.3.1.1.5 Inland waterways transport services

4.273. There are two kinds of inland waterways transport, on the Rhine and on the lakes.

4.274. Water transport plays an important role in tourism and excursion traffic. The approximately 150 ships of the federally licensed shipping companies carry around 13 million passengers per year on Swiss lakes, rivers, and border waterways. Shipping also plays an important role in freight transport: around 120 freight ships from various shipping companies – mainly from the construction sector – transport around 2.5 million tonnes of material on Swiss waters every year. Vessels operating on domestic lakes must be registered in Switzerland at the cantonal level and in the case of border lakes registered in a Swiss register or in the register of the border State(s). While traffic on the lakes is largely linked to tourism activities, Rhine navigation is essentially devoted to freight and is of key importance for Switzerland since it is the only direct link with the high seas. The main product categories imported via Basel are crude oil and petroleum products; stones, soils and building materials; and food and feed. The main product categories exported via Basel are crude oil and petroleum products; stones, soils and building materials; and chemical products. The volume of freight handled in Basel on the import side increased from 3,768,445 tonnes in 2018 to 5,054,059 tonnes in 2019 and declined to 4,280,200 tonnes in 2020. On the export side, the volume of freight increased from 929,536 tonnes in 2018 to 1,011,175 tonnes in 2019 and declined to 846,580 tonnes in 2020.[163]

4.275. In addition to the Law on the Registry of Ships[164] and the corresponding implementing regulations, domestic shipping is subject to the Law on Domestic Navigation[165], the Law on Passenger Transportation[166], and several related Ordinances.

4.276. Together with Belgium, Germany, France, and the Netherlands, Switzerland is a member of the Central Commission for Navigation on the Rhine (CCNR), which has ensured freedom of navigation for all flags on the Rhine since 1815. Switzerland thus has unrestricted access to the sea for its national supply and export and can actively participate in legislation for navigation on the Rhine. The regulations of the CCNR are regularly transposed into national law.

4.277. Two hundred sixty-six Swiss-registered vessels operate on the Rhine. There is no preferential treatment or regime for preferential treatment in relation to any vessels calling to the Ports of Switzerland in Basel, irrespective of their registration or other criteria. However, as passage through Basel requires special knowledge and skills due to very narrow bridges, depending on the water level, pilotage services or proof of route knowledge are mandatory depending on the size of the vessel.

4.278. Relevant requirements on technical standards and registration differ between international navigation on the Rhine, which is governed by the Mannheim Convention under the auspices of the CCNR, various bilateral and multilateral agreements between Switzerland and its neighbouring countries for cross-boundaries lakes and river navigation, and a purely domestic regime applicable exclusively to national waters only.

4.279. There are no EU and IMO provisions directly applicable to Swiss inland waterways including the Rhine, as these waters are either exclusively governed by Swiss national law or by corresponding bilateral or multilateral treaties such as the Mannheim Convention for the internationally navigable Rhine River. The registration regime for Swiss-flagged vessels on the Rhine is the same as that for Swiss-flagged maritime vessels (see below). The registration of vessels navigating on internal lakes obeys rules defined at the cantonal level and that may be more lax than national ones, and they take, for instance, domicile rather than nationality as a criterion. Registration of vessels navigating on borders (Lake Geneva with France, Lakes Lugano and Maggiore with Italy, and Lake Constance with Germany and Austria) obeys navigation conventions signed by Switzerland with those countries.

[163] Ports of Switzerland/Basel.
[164] Federal Law of 28 September 1923 on the Registration of Ships (RS 747.11), as amended.
[165] Federal Law of 3 October 1975 on Domestic Navigation (RS 747.201), as amended.
[166] Federal Law of 20 March 2009 on Passenger Transportation (RS 745.1), as amended.

Those conventions in turn refer in all instances to the respective immatriculation rules of the bordering countries.

4.280. Regarding border waters such as Lake Geneva, Lake Constance, Lake Maggiore, and Lake Lugano, there are bilateral or multilateral agreements with neighbouring countries (France, Germany, Austria, and Italy) that relate to professional tourist shipping. For commercial shipping, navigation on these waters is restricted to vessels registered in Switzerland and the relevant neighbouring countries.

4.4.3.1.1.6 Maritime transport services

4.281. Although Switzerland is a landlocked country, it has a significant maritime sector that ranks 11th worldwide and 5th in Europe in terms of operated fleet. The Swiss maritime sector directly employs 2,000 persons in Switzerland and contributed CHF 2.4 billion to Swiss GDP in 2017 i.e. 0.4% of GDP.[167] Furthermore, it is closely intertwined with trading activities of agricultural, energy, and minerals products to the point of forming a single cluster/hub and is represented by a common business association, the Swiss Trading and Shipping Association. Trading activities in turn directly employ 10,000 persons, contribute to 4.8% of Swiss GDP[168], and represent 20% of the tax revenues of Geneva and Ticino cantons and 17% of those of Zug canton.

4.282. Switzerland has a commercially operating sea-going fleet mainly registered in foreign shipping registries. There are 65 shipping and shipping services companies (e.g. charterers and marine fuel traders), located in more than 12 cantons, most of them based in Geneva, Zurich, Basel, Vaud, Ticino, and Zug. All of these companies and their vessels are privately owned. Switzerland is the host state of the world's second-largest container shipping company (Mediterranean Shipping Company) but also of companies such as Suisse-Atlantique, Reederei Zurich, ABC Maritime All Seas, or Swiss Maritime Services.

4.283. The nationally flagged, commercially operating seagoing Swiss fleet was composed in 2021 of 18 vessels representing 929,000 deadweight tonnage (DWT), i.e. 0.043% of the world total (down from 47 ships accounting 1,401,000 DWT in 2015 – a decrease that mainly can be attributed to the effects of the global ship-owning sector economic crisis lasting more than a decade until 2019 due to unprecedented low freight rates) while the controlled fleet under foreign flags was composed of 396 vessels representing a total tonnage of 25,794,797 DWT, i.e. 1.21% of the total world tonnage (up from 344 vessels of a total tonnage of 18,324,000 DWT representing 1.056% of the world fleet in 2015). According to a 2017 study by Oxford Economics[169], another 400 to 600 vessels are operated from Switzerland by Swiss companies controlled by non-Swiss interests.

4.284. If necessary, the Swiss Government has the authority to requisition Swiss-flagged seagoing vessels on its behalf whose construction has been financed with federal mortgage guarantees. At the end of 2021, 17 out of 18 of all Swiss-flagged seagoing merchant vessels were financed wholly or partially with such a guarantee. The federal guarantees were discontinued in 2017.[170]

4.285. Switzerland has a closed registry for seagoing commercial vessels as registration of vessels is subject to strict conditions regarding nationality and residence requirements for owners of individual companies, partners, or shareholders of general or limited partnerships or of limited companies, and members of the governing bodies of public limited companies, general partnerships, limited companies, or cooperative companies.[171] However, there is no requirement regarding the nationality of any seafarers serving aboard Swiss-registered vessels. In 2021, of 358 seafarers serving aboard Swiss seagoing merchant vessels, only two held Swiss citizenship, with the vast majority being from the Philippines (ratings) and Ukraine (officers).

[167] Information provided by the authorities.
[168] Information provided by the authorities.
[169] As quoted in Swiss Trading & Shipping Association, *Switzerland, A Maritime Nation*. Viewed at: https://www.stsa.swiss/know/switzerland-a-maritime-nation.
[170] A report to the Federal Council found that the existence of a high-seas Swiss-flagged fleet did not have any impact on supply chain problems. Federal Council (2016), "Le Conseil fédéral ne renouvellera pas le crédit cadre pour la promotion de la flotte suisse de haute mer".
[171] Ordinance of 20 November 1956 on Maritime Navigation (RS 747.301), as amended, Article 5.

4.286. There has not been a specific support regime for maritime transport during the pandemic, and there are no maritime-specific incentives in place to encourage gender balance in ships' crews.

4.287. A recent study of the Swiss maritime sector prepared by the Institute of Shipping Economics and Logistics is currently the subject of consultations among relevant federal services and stakeholders as part of a reflection on a possible overarching Swiss maritime strategy.[172]

4.4.3.1.1.7 Freight forwarding and logistics services

4.288. The industry of specialized intermediation services for transport was invented in Switzerland during the Napoleonic Wars[173], and nowadays Switzerland remains a major hub for logistics services being the host state of several major actors of the sector as well as of the main international professional association of the logistic sector, the International Federation of Freight Forwarders. Logistics services are not identified as such in the Swiss national accounts. The closest category is "warehousing and support activities for transportation", which corresponds more or less to the GATS document MTN/GNS/W120 category 11.E "services auxiliary to all modes of transport".[174] In 2020, the warehousing and activities for transportation accounted for 0.65% of GVA and 1.31% of total employment, compared to, respectively, 0.65% and 1.30% in 2015.[175] Switzerland has bound its liberal regime for this subsector both under the GATS and its FTAs.

4.4.3.1.1.8 Air transport services

4.289. The Swiss air transport sector was severely hit by the COVID pandemic crisis (Chart 4.9 and Table 1.8).

4.290. Table 4.24 details further the passenger and freight traffic handled by each of Switzerland's international airports in 2016 and 2020.

Table 4.24 Passenger and freight traffic handled at Swiss international airports, 2015 and 2020

Airports	Passengers handled		Freight handled (tonnes)	
	2015	2020	2015	2020
Zurich	26,294,317	8,316,844	291,082	170,280
Geneva	15,694,603	5,558,432	32,806	27,246
Basel	7,052,113	2,587,994	48,977	63,576
Bern	175,121	5,629	-	-
Lugano	156,437	275	57	-
Sion	6,660	1,673	-	-
Altenrhein	91,976	22,414	-	-
Total international airports	49,441,227 (of which 655,303 domestic passengers)	16,493,261	372,865	261,102

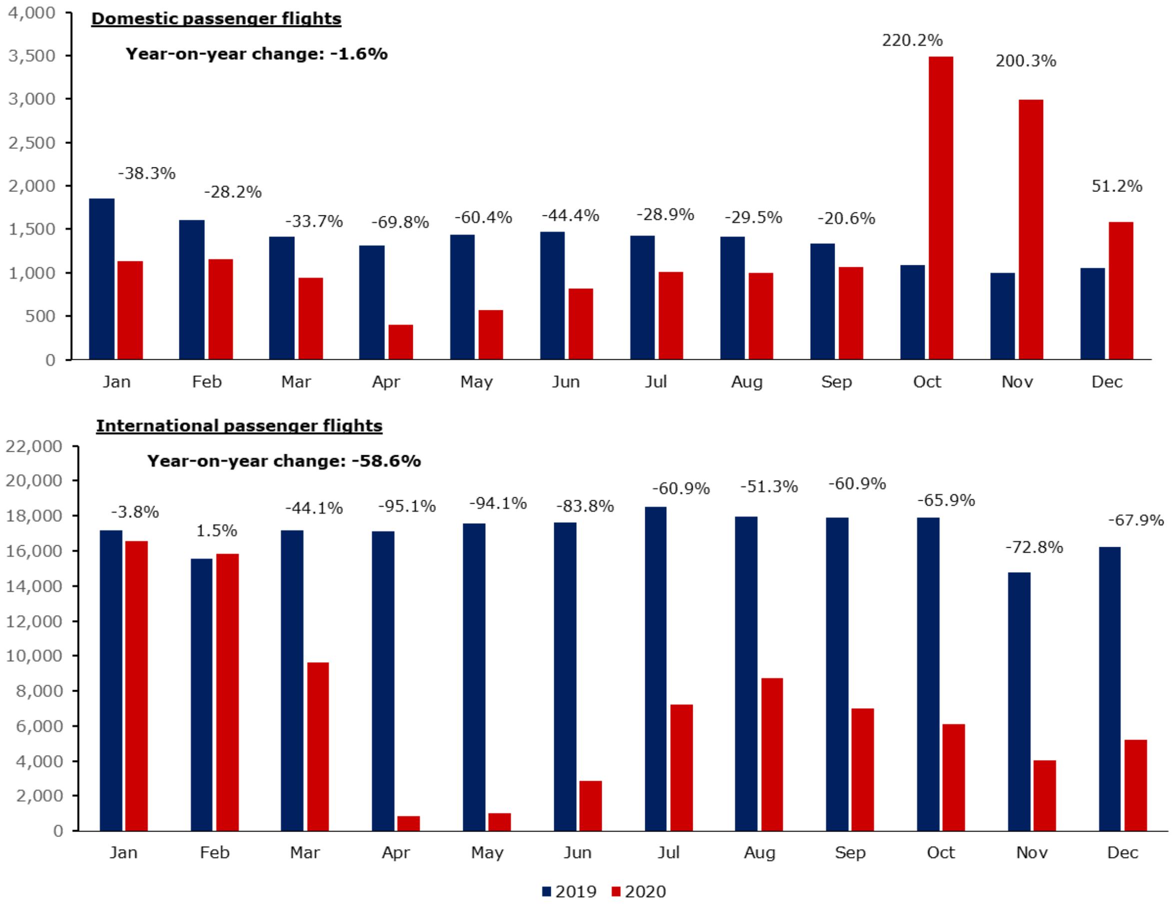
- Nil.

Source: Information provided by the authorities.

4.291. The general aid measures adopted by the Federal Council to cushion the economic impact of the COVID-19 pandemic (Section 3.3.1) are also available to companies in the aviation industry. In addition, the Federal Assembly decided in May 2020 to support Swiss International Air Lines and Edelweiss Air with a government-backed loan and to provide CHF 600 million for possible support to ground handlers and aircraft maintenance companies to bridge liquidity shortfalls and to ensure the uninterrupted operation of the national airports and Switzerland's aviation connectivity.

[172] Federal Department of Foreign Affairs (2021), *Future Prospects for the Swiss Flag and Fleet at Sea*.
[173] WTO document S/C/W/317, 14 June 2010, para. 4.
[174] Item 11.E contains the following subsectors: 11.E.a Cargo-handling services, 11.E.b Storage and warehouse services, 11.E.c Freight transport agency services, and 11.E.d Other.
[175] Information provided by the authorities and the FSO.

Chart 4.9 Domestic and international passenger flights, January to December 2019 and 2020



Source: ICAO, *Operational Impact on Air Transport*. Viewed at: https://data.icao.int/coVID-19/operational.htm.

4.292. As of August 2020, Swiss and Edelweiss had been granted state aid of CHF 1.275 billion in the form of a bank loan totalling CHF 1.5 billion secured by the Swiss Government with a guarantee (85%). Furthermore, state aid of CHF 79.2 million was granted to SR Technics, an aircraft maintenance and repair company, out of the CHF 600 million framework credit. Independently from the CHF 600 million credit, the Government also increased the equity of Skyguide (Air Navigation Service Provider, a company owned and controlled by the Swiss Government) by a CHF 150 million cash injection in 2020. Additionally, it supported Skyguide with a loan of CHF 250 million in 2021 and will provide further financial funding (financing instrument yet to be determined) in 2022 in an amount of CHF 100 million if needed. In 2020, Swissport communicated the establishment of a market-based solution. None of the three national airports (Basel, Geneva, Zurich) has asked for federal government state aid so far. Geneva airport has asked the Canton of Geneva for support, but the state aid scheme has not yet been approved by the Parliament of the Canton of Geneva.

4.293. The regulatory regime for air transport remained largely unchanged during the review period. As far as services explicitly covered by the GATS air transport annex (computer reservation services, selling and marketing of air transport services, and maintenance and repair of aircraft), there is no regulation granting a monopoly or prescribing the compulsory use of a computer reservation system (CRS) supplier. All CRS providers may operate if they comply with EC Regulation 80/2009.[176] This does not imply that they must have a local branch established. Similarly, for selling and marketing of air transport services, 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 legal situation is not affected by individual

[176] Regulation (EC) No 80/2009 of 14 January 2009 of the European Parliament and of the Council on a Code of Conduct for computerized reservation systems.

provisions of bilateral agreements. Regarding aircraft repair and maintenance services, there are no specific limitations on the establishment of foreign providers.[177]

4.294. For ground handling, Switzerland applies Council Directive 96/67/EC[178], which beyond certain thresholds of traffic reached by Zurich and Geneva airports liberalizes self-handling, mutual handling, and third-party handling. For the Basel airport, France also applies EC Regulation 97/67. Regarding airport management services, airports that are objects of a concession are managed by public or private entities. Even for private entities, most of the capital may be in public hands.[179]

4.295. Regarding commercial aviation, the national establishment rules are in line with EC Regulation 1008/2008[180], which establishes a requirement of more than 50% of EU interests (and in this case EU + Swiss interests) so as to accommodate the ownership of Swiss by the Lufthansa group. There is no specific regulation or policy for all-cargo flights. Regarding charter flights, Switzerland also applies EC Regulation 1008/2008, thus charter traffic is not discriminated and is based on the principle of reciprocity. Low-cost carriers do operate from Switzerland. Domestic traffic is limited in principle to Swiss operators unless it has been agreed otherwise in the bilateral air services agreement. Such an opening has been negotiated but not finalized between Switzerland and the European Union. Finally, Swiss slot allocation rules are in line with Council Regulation (EEC) No. 95/93, as amended, which transposes, *mutatis mutandis*, the IATA rules. In Switzerland, slot trading among airlines is not allowed. The Swiss airports of Geneva and Zurich are deemed to be congested and hence coordinated.

4.296. The bilateral relationship with the European Union remains governed by a 1999 bilateral agreement that mutually grants third to seventh freedoms and includes a community of ownership clause.

4.297. Table 4.25 describes the main features of recent air transport agreements coded according to the Quasar WTO methodology.

Table 4.25 Main features of recent air transport 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
Angola	27/11/2018		N	N	N	Y	M	PPoB	DD	PD	No	22
Bahamas	13/12/2018		Y	N	N	Y	M	PPoB	DD	FD	No	36
Cabo Verde	07/12/2021		Y	N	N	Y	M	PPoB	DD	FD	No	36
Canada (Protocol)	29/01/2019	22/06/2021	Y	N	N	Y	M	SOEC	DD	FD	No	26
Côte d'Ivoire	24/02/2017	08/10/2018	N	N	N	Y	M	PPoB	DD	FD	No	30
Gambia	12/01/2021		Y	N	N	Y	M	PPoB	DD	FD	No	36
India (Protocol)	11/03/2020	01/07/21	..	..	..	Y	..	COI	..	..	..	-
Israel	21/08/2018	24/03/21		N	N	Y	M	PPoB	DD	FD		-
Moldova, Republic of	04/04/2019	09/09/21	Y	N	N	Y	M	PPoB	DD	FD	No	36

177 Switzerland has 71 repair stations certified by the European Aviation Safety Agency, 16 of which are also certified by the Federal Aviation Administration, 13 by TCCA Canada, 3 by ANAC Brazil, and 2 by CAAS Singapore.

178 Council Directive 96/67/EC of 15 October 1996 on access to the ground-handling market at community airports.

179 The detailed regimes are the following for Geneva: public ownership, concession by DETEC; Zurich: public ownership, concession by DETEC, Basel: public ownership, status legally based on bilateral agreement with France, Bern; private ownership, concession by DETEC, Sion: public ownership, concession by DETEC; Lugano: public ownership, concession by DETEC; and Altenrhein: private ownership, not concessioned, legal status as airfield.

180 Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the community (recast).

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI
Philippines	20/11/2018	15/06/21	Y	N	N	Y	M	PPoB	DD	O	No	34
Senegal	11/02/2021		N	N	N	Y	M	COI	DD	PD	No	18
Seychelles	13/12/2018		Y	N	N	Y	M	PPoB	DD	FD	No	36
United Arab Emirates	07/12/2017		Y	N	N	Y	M	PPoB	DD	FD	No	36
United Kingdom	17/12/2018	01/01/21	Y	Y	N	Y	M	COI	FD	FD	No	38
Viet Nam	03/04/2018		Y	N	N	Y	M	PPoB	DD	FD	No	36

.. Not available.

a Fifth freedom: "Y" granted, "N" not granted.
b Seventh freedom: "Y" granted, "N" not granted.
c Cabotage: "Y" granted, "N" not granted.
d Cooperation clause (e.g. allowance of code share): "Y" present, "N" absent.
e Designation: "S" single, "M" multiple.
f Withholding: "PPOB" principal place of business, "SOEC" substantial ownership and effective control, "COI" community of interest.
g Pricing: "DD" dual disapproval, "FD" free determination, "DA" double approval, "COO" country of origin, "ZP" zone pricing.
h Capacity clause: "PD" Pre-Determination, "B1" Bermuda I, "FD" Free determination, "O" other, "n/a" not available.
i A "no" indicates that an exchange of statistics is not foreseen by the agreement.

Source: Information provided by the authorities.

4.4.3.2 Liechtenstein

4.298. The Office of Economic Affairs is responsible for regulating the transport subsector and applies the relevant EEA Law.[181]

4.4.3.2.1 Road freight and passenger transport services

4.299. 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.

4.300. Liechtenstein applies the Swiss Heavy Vehicle Fee. Road freight and passenger transport carriers require a permit issued by the Office of 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 of 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.

4.301. Public transport throughout the country is offered by the government-owned Liechtensteinmobil, which receives subsidies for its services. Besides the planning, organization, and marketing of public transport by bus, the mandate of Liechtensteinmobil includes responsibilities for local cross-border passenger transport by train. 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

4.302. 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.

[181] See Annex XIII to the EEA Agreement.

4.4.3.2.3 Air transport services

4.303. 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 in June 2006.

5 APPENDIX TABLES

Table A1.1 Merchandise imports by product group[a] for Switzerland, 2016-20

	2016	2017	2018	2019	2020
Total imports (CHF billion)	**173.5**	**185.8**	**201.8**	**205.2**	**182.3**
	(% of total)				
Forestry and agricultural products, fisheries	7.9	7.7	7.3	7.1	8.2
Food, beverages and tobacco	5.8	5.7	5.4	5.3	6.1
Forestry products (not firewood)	1.0	1.0	0.9	0.9	1.0
Energy source	**3.9**	**4.4**	**4.7**	**4.5**	**3.1**
Solid combustibles	0.0	0.0	0.0	0.0	0.0
Petroleum and distillates	2.5	2.9	3.2	3.2	2
Gas	0.5	0.5	0.6	0.6	0.4
Electrical energy	0.9	0.9	0.9	0.7	0.7
Textiles, clothing, shoes	**5.5**	**5.7**	**5.8**	**5.8**	**6.8**
Textiles	1.1	1.1	1	1	1.5
Articles of apparel and clothing	3.4	3.6	3.7	3.8	4.2
Shoes, parts and accessories	1.0	1.1	1.1	1.1	1.1
Paper, articles of paper and products of the printing industry	**2.2**	**2.0**	**1.9**	**1.9**	**1.9**
Leather, rubber, plastics	**3.6**	**3.6**	**3.6**	**3.4**	**3.6**
Leather	0.6	0.6	0.7	0.6	0.6
Rubber	0.7	0.6	0.6	0.6	0.7
Plastics	2.3	2.3	2.3	2.2	2.3
Products of the chemical and pharmaceutical industry	**25.1**	**25.2**	**24.8**	**25.7**	**28.1**
Chemical raw materials, basic materials and unformed plastics	3.7	3.6	4.1	4.8	3.6
Chemical end products, vitamins, diagnostic products, including active substances	21.4	21.6	20.7	20.9	24.5
Pharmaceuticals, vitamins, diagnostics (incl. active substances)	18.7	19	18.2	18.4	21.6
Stones and earth	**1.6**	**1.5**	**1.5**	**1.4**	**1.5**
Metals	**7.5**	**7.8**	**7.9**	**7.3**	**7.1**
Iron and steel	1.2	1.3	1.4	1.2	1.1
Non-ferrous metals	1.5	1.6	1.7	1.5	1.4
Metal goods	4.8	4.8	4.8	4.6	4.6
Machines, appliances, electronics	**16.5**	**16.4**	**15.9**	**15.6**	**16.4**
Industrial machinery	6.4	6.5	6.3	6.1	6.2
Household appliances	1.5	1.4	1.3	1.3	1.5
Office machines	2.2	2.1	2.1	2.0	2.2
Electrical and electronic industry appliances and devices	6.0	6.0	5.9	5.7	6.1
Vehicles	**11.0**	**10.2**	**9.6**	**9.5**	**9.5**
Road vehicles	8.2	7.9	7.4	7.7	7.7
Railed vehicles	0.4	0.5	0.4	0.3	0.4
Air- and spacecraft	2.2	1.6	1.6	1.3	1.1
Watercraft	0.2	0.2	0.1	0.2	0.3
Precision instruments, clocks and watches and jewellery	**12.1**	**12.5**	**14.1**	**14.8**	**10.6**
Precision instruments and equipment	4.3	4.1	4.1	4.1	4.3
Watches	2.2	1.9	2	1.8	1.4
Jewellery and household goods made from precious metals	5.6	6.5	8	8.8	4.8
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	**3.2**	**3**	**2.9**	**2.8**	**3.1**
Home furnishings	2.2	2.1	2.1	2.0	2.2

a Based on Swiss national nomenclature, "nature of goods", created by the Federal Customs Administration (FCA). Viewed at: https://www.ezv.admin.ch/ezv/en/home/topics/swiss-foreign-trade-statistics/methoden-metadaten/metadaten/waren.html.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS. Viewed at: https://www.swiss-impex.admin.ch/index.xhtml.

Table A1.2 Merchandise exports by product group[a] for Switzerland, 2016-20

	2016	2017	2018	2019	2020
Total exports (CHF billion)	**210.5**	**220.6**	**233.2**	**242.3**	**225.3**
	(% of total)				
Forestry and agricultural products, fisheries	**4.4**	**4.4**	**4.3**	**4.2**	**4.3**
Food, beverages and tobacco	4.0	3.9	3.9	3.7	3.9
Energy source	**0.9**	**0.9**	**1.2**	**1.0**	**0.8**
Textiles, clothing, shoes	**1.6**	**1.9**	**2.1**	**2.1**	**2.1**
Paper, articles of paper and products of the printing industry	**0.8**	**0.8**	**0.7**	**0.8**	**0.6**
Leather, rubber, plastics	**2.0**	**1.9**	**2.0**	**1.9**	**1.8**
Products of the chemical and pharmaceutical industry	**44.8**	**44.7**	**44.8**	**47.3**	**51.7**
Chemical raw materials, basic materials and unformed plastics	2.7	2.8	3.0	3.2	3.8
Chemical end products, vitamins, diagnostic products, including active substances	42.1	41.9	41.7	44.0	47.9
Pharmaceuticals, vitamins, diagnostics (incl. active substances)	38.2	38.0	37.9	40.3	44.0
Stones and earth	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**
Metals	**5.8**	**6.2**	**6.2**	**5.6**	**5.4**
Iron and steel	0.5	0.6	0.6	0.5	0.4
Non-ferrous metals	1.0	1.1	1.1	1.0	0.9
Metal goods	4.3	4.5	4.5	4.2	4.1
Machines, appliances, electronics	**14.8**	**14.5**	**14.4**	**13.2**	**12.6**
Industrial machinery	8.8	8.7	8.5	7.6	7.0
Household appliances	0.5	0.4	0.3	0.3	0.4
Office machines	0.4	0.4	0.4	0.4	0.4
Electrical and electronic industry appliances and devices	4.9	4.9	4.9	4.6	4.5
Vehicles	**2.4**	**2.5**	**2.2**	**2.3**	**2.0**
Precision instruments, clocks and watches and jewellery	**21.5**	**21.2**	**21.3**	**20.8**	**17.9**
Precision instruments and equipment	7.1	7.1	7.2	7.0	6.9
Watches	9.2	9.0	9.1	9.0	7.5
Jewellery and household goods made from precious metals	5.2	5.1	5.0	4.9	3.4
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	**0.6**	**0.6**	**0.6**	**0.5**	**0.5**

a Based on Swiss national nomenclature, "nature of goods", created by the Federal Customs Administration (FCA). Viewed at: https://www.ezv.admin.ch/ezv/en/home/topics/swiss-foreign-trade-statistics/methoden-metadaten/metadaten/waren.html.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS. Viewed at: https://www.swiss-impex.admin.ch/index.xhtml.

Table A1.3 Merchandise imports by origin for Switzerland, 2016-20

	2016	2017	2018	2019	2020
Total imports (CHF billion)	**173.5**	**185.8**	**201.8**	**205.2**	**182.3**
			(% of total)		
Americas	**9.9**	**8.9**	**8.1**	**8.0**	**7.8**
United States	8.2	6.8	6.2	6.7	6.3
Other America	1.7	2.0	1.9	1.3	1.5
Europe	**73.0**	**72.6**	**71.4**	**70.5**	**70.5**
EU-27	68.1	68.1	66.4	64.7	66.3
Germany	28.0	28.2	27.1	26.2	27.1
Italy	9.7	9.7	9.3	9.1	9.2
France	7.7	7.9	8.0	7.4	7.0
Austria	4.4	4.2	4.1	4.0	4.6
Spain	2.8	2.7	2.6	3.0	3.7
Netherlands	2.8	2.7	2.7	2.7	2.7
Ireland	4.4	4.2	4.3	3.7	2.5
Belgium	1.7	1.8	1.6	1.7	1.7
Czech Republic	1.3	1.3	1.3	1.3	1.4
Poland	1.1	1.1	1.2	1.2	1.3
EFTA	0.2	0.2	0.2	0.2	0.2
Other Europe	4.7	4.3	4.8	5.6	4.0
United Kingdom	3.7	3.3	3.8	4.6	2.8
CIS[a]	**0.4**	**0.4**	**0.5**	**0.4**	**0.2**
Africa	**0.8**	**1.0**	**1.1**	**1.0**	**0.9**
Middle East	**1.0**	**2.1**	**3.8**	**4.4**	**1.6**
United Arab Emirates	0.5	1.6	3.2	3.8	1.0
Asia	**15.0**	**15.0**	**15.1**	**15.8**	**19.0**
China	7.1	7.0	7.1	7.3	8.8
Japan	1.8	1.9	1.7	1.6	2.0
Other Asia	6.1	6.1	6.3	6.9	8.2
Singapore	1.0	1.0	1.3	1.1	1.9
Viet Nam	0.8	0.8	0.7	1.4	1.4
India	0.7	0.8	0.8	1.0	0.9
Memorandum:					
EU-28	71.8	71.4	70.3	69.3	69.1

a Commonwealth of Independent States, including certain associate and former member States.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS. Viewed at: https://www.swiss-impex.admin.ch/index.xhtml.

Table A1.4 Merchandise exports by destination for Switzerland, 2016-20

	2016	2017	2018	2019	2020
Total exports (CHF billion)	**210.5**	**220.6**	**233.2**	**242.3**	**225.3**
	(% of total)				
Americas	**19.5**	**19.9**	**20.9**	**21.8**	**21.8**
United States	15.0	15.3	16.3	17.3	17.5
Other America	4.6	4.6	4.6	4.4	4.2
Canada	1.6	1.6	1.6	1.6	1.6
Europe	**55.1**	**54.5**	**53.6**	**52.6**	**53.2**
EU-27	48.3	47.8	48.0	47.4	48.3
Germany	18.8	18.9	18.8	18.2	17.9
Italy	5.9	6.2	6.2	5.8	5.8
France	6.7	6.4	6.5	5.9	5.3
Spain	2.6	2.6	2.9	3.2	3.3
Austria	2.8	3.0	2.6	2.4	2.7
Netherlands	2.4	2.3	2.2	2.4	2.7
Slovenia	0.2	0.2	0.4	1.4	2.1
Belgium	2.8	1.9	1.8	1.8	1.8
Poland	1.0	1.0	1.1	1.1	1.2
EFTA	0.3	0.3	0.3	0.3	0.3
Other Europe	6.5	6.4	5.2	4.9	4.7
United Kingdom	5.4	5.2	4.0	3.8	3.5
CIS[a]	**1.2**	**1.3**	**1.3**	**1.6**	**1.5**
Russian Federation	1.0	1.0	1.1	1.3	1.2
Africa	**1.6**	**1.5**	**1.6**	**1.5**	**1.5**
Middle East	**4.6**	**4.0**	**3.8**	**3.6**	**3.3**
Asia	**18.0**	**18.8**	**18.9**	**18.9**	**18.7**
China	4.7	5.2	5.2	5.5	6.5
Japan	3.5	3.3	3.3	3.3	3.1
Other Asia	9.8	10.3	10.4	10.1	9.1
Singapore	1.6	1.9	1.9	2.0	2.2
Hong Kong, China	2.3	2.4	2.5	2.3	1.6
Korea, Republic of	1.3	1.4	1.4	1.4	1.3
Other	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum:					
EU-28	53.7	53.0	52.0	51.2	51.7

a Commonwealth of Independent States, including certain associate and former member States.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques.

Source: WTO Secretariat calculations, based on Swiss-Impex database of the FOCBS. Viewed at: https://www.swiss-impex.admin.ch/index.xhtml.

Table A1.5 Merchandise imports by origin for Liechtenstein, 2016-20

	2016	2017	2018	2019	2020
Total imports (CHF million)	**1,853.4**	**1,900.1**	**1,950.4**	**1,884.6**	**1,577.3**
			(% of total)		
Americas	**2.8**	**3.9**	**4.2**	**5.6**	**6.2**
United States	2.3	3.5	3.8	5.2	5.8
Other America	0.5	0.5	0.3	0.4	0.5
Europe	**78.8**	**80.1**	**77.8**	**77.1**	**78.1**
EU-27	76.8	77.9	75.8	74.9	75.8
Germany	35.2	36.9	36.2	34.7	34.7
Austria	25.3	24.4	22.4	22.9	21.9
Italy	3.0	3.4	3.6	3.7	3.2
Croatia	1.3	1.7	1.9	2.2	3.2
Hungary	1.7	1.8	2.0	1.9	2.1
EFTA	0.0	0.0	0.0	0.0	0.0
Other Europe	2.0	2.1	2.1	2.2	2.3
United Kingdom	1.4	1.5	1.4	1.3	1.4
CIS[a]	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Africa	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**
Middle East	**0.1**	**0.3**	**0.1**	**0.1**	**0.1**
Asia	**18.1**	**15.7**	**17.7**	**17.1**	**15.4**
China	12.6	9.7	11.7	11.4	9.8
Japan	1.1	1.5	1.6	1.4	1.7
Other Asia	4.4	4.4	4.5	4.2	3.9
Chinese Taipei	0.8	1.0	1.0	0.9	0.9
Korea, Republic of	0.9	0.8	0.8	0.8	0.8
Memorandum:					
EU-28	78.2	79.4	77.1	76.2	77.2

a Commonwealth of Independent States, including certain associate and former member States.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques. The trade in goods with and via Switzerland is not included in the trade statistics.

Source: WTO Secretariat calculations, based on Liechtenstein Office of Statistics, *eTab*. Viewed at: https://etab.llv.li/PXWeb/pxweb/en/eTab/.

Table A1.6 Merchandise exports by destination for Liechtenstein, 2016-20

	2016	2017	2018	2019	2020
Total exports (CHF million)	**3,224.9**	**3,286.0**	**3,490.1**	**3,378.3**	**2,821.0**
			(% of total)		
Americas	**19.3**	**19.0**	**19.0**	**20.8**	**18.4**
United States	13.9	13.9	14.0	15.6	13.9
Other America	5.4	5.2	5.0	5.3	4.5
Mexico	2.7	2.5	2.5	2.6	2.1
Canada	1.3	1.2	1.1	1.3	1.3
Europe	**60.0**	**58.9**	**57.5**	**57.7**	**61.4**
EU-27	56.0	55.3	53.8	54.1	58.2
Germany	23.3	23.0	22.2	22.5	25.1
Austria	11.1	10.4	9.9	10.0	10.8
France	7.8	8.3	8.6	8.3	8.1
Italy	3.2	3.1	3.3	3.0	3.1
Poland	1.3	1.4	1.5	1.8	2.1
EFTA	0.4	0.4	0.5	0.5	0.7
Other Europe	3.6	3.2	3.2	3.1	2.5
United Kingdom	2.9	2.6	2.4	2.3	1.8
CIS[a]	**1.5**	**2.1**	**2.0**	**2.4**	**2.2**
Russian Federation	1.2	1.8	1.6	1.9	1.8
Africa	**1.1**	**1.0**	**1.1**	**1.3**	**1.0**
Middle East	**3.6**	**4.0**	**3.3**	**3.1**	**2.4**
Asia	**14.4**	**15.0**	**17.1**	**14.7**	**14.7**
China	5.7	6.7	6.3	6.2	7.1
Japan	1.8	1.4	3.9	1.7	1.7
Other Asia	6.9	6.8	6.9	6.9	5.9
Singapore	2.6	2.5	2.5	2.4	1.7
Korea, Republic of	0.9	0.9	0.8	0.8	0.9
Memorandum:					
EU-28	58.9	57.8	56.2	56.3	60.0

a Commonwealth of Independent States, including certain associate and former member States.

Note: Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coins, precious stones and gems, and works of art and antiques. The trade in goods with and via Switzerland is not included in the trade statistics.

Source: WTO Secretariat calculations, based on Liechtenstein Office of Statistics, *eTab*. Viewed at: https://etab.llv.li/PXWeb/pxweb/en/eTab/.

Table A1.7 FDI by economic activity, 2016-20

(CHF billion)

	Capital flows					Capital stock at year-end (book value)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
FDI in Switzerland[a]	**148.0**	**109.3**	**-81.7**	**-105.4**	**-153.1**	**1,264.2**	**1,347.8**	**1,337.4**	**1,376.0**	**1,216.3**
Manufacturing	5.8	58.8	-28.8	7.4	5.5	139.2	169.3	173.8	176.8	168.2
Chemicals and plastics	2.6	53.2	-5.3	3.4	-1.6	72.6	93.2	88.1	83.2	79.8
Metals and machinery	0.0	1.5	-1.1	-0.3	2.7	13.5	15.6	15.4	17.1	19.4
Electronics, energy, optical and watchmaking	2.5	1.6	-20.0	0.2	-7.3	41.6	46.4	57.7	58.3	50.6
Other manufacturing and construction	0.7	2.4	-2.3	4.0	11.7	11.5	14.2	12.7	18.2	18.3
Services	142.2	50.6	-52.9	-112.8	-158.6	1,125.0	1,178.5	1,163.6	1,199.2	1,048.2
Trade	12.8	11.6	16.3	-22.0	-7.7	176.7	188.7	203.9	260.9	238.3
Finance and holding companies	122.6	36.9	-67.8	-70.7	-165.4	776.6	826.6	809.6	803.2	657.7
of which special purpose entities	64.4	-7.8	12.3	-14.5	-113.2	253.8	254.8	300.9	295.4	171.1
Banks	-1.3	-0.8	-1.0	0.0	-0.4	24.5	24.1	25.1	23.6	22.8
Insurance companies	1.1	2.8	-3.4	-1.9	0.7	24.4	26.8	21.2	15.2	18.1
Transportation and communications	1.9	-0.5	0.0	2.7	3.1	14.8	15.2	16.2	19.4	21.4
Other services	5.0	0.5	2.8	-20.9	11.0	108.1	97.2	87.6	76.8	89.9
Memorandum item:										
Real estate activities	0.0	0.2	0.4	0.3	0.3	37.8	37.8	37.9	38.0	38.4
Total including real estate activities	148.0	109.5	-81.3	-105.1	-152.8	1,302.0	1,385.7	1,375.3	1,414.0	1,254.7
Swiss direct investment abroad[b]	**164.6**	**22.2**	**43.8**	**-54.5**	**-34.0**	**1,357.3**	**1,387.1**	**1,475.5**	**1,477.1**	**1,460.0**
Manufacturing	28.9	-8.1	13.9	22.1	1.3	425.1	424.6	450.4	467.6	451.1
Textiles and clothing	1.7	1.1	1.7	-0.7	-0.3	4.1	3.6	5.5	5.0	4.5
Chemicals and plastics	8.5	-12.1	13.9	1.2	11.7	165.6	163.5	186.7	177.9	179.3
Metals and machinery	2.9	4.2	5.3	0.3	1.9	38.2	43.5	47.9	50.7	53.2
Electronics, energy, optical and watchmaking	8.9	2.7	-9.0	1.6	-6.1	79.9	83.6	86.0	88.7	83.9
Other manufacturing and construction	7.0	-4.1	2.0	19.8	-5.9	137.3	130.4	124.3	145.3	130.2
Services	135.7	30.4	29.8	-76.6	-35.2	932.3	962.5	1,025.1	1,009.5	1,009.0
Trade	14.3	-7.5	32.2	-31.1	12.3	146.6	135.9	167.2	168.9	173.9
Finance and holding companies	99.2	35.2	-13.2	-40.2	-53.2	541.6	578.1	597.5	596.9	577.6
Swiss-controlled	8.9	-3.2	16.4	-3.3	-4.9	106.9	103.1	120.5	104.2	100.6
Foreign-controlled	90.4	38.4	-29.7	-36.9	-48.3	434.7	475.0	477.0	492.7	477.0
of which special purpose entities	68.1	-2.3	-16.3	-3.1	-8.2	164.9	162.3	162.8	139.4	125.6
Banks	2.1	-1.7	-2.2	6.2	0.4	85.7	82.1	79.1	84.2	81.2
Insurance companies	22.4	5.2	2.9	3.2	-0.9	100.2	106.7	102.9	102.8	103.7
Transportation and communications	0.5	0.6	3.8	2.0	-1.1	28.1	29.6	35.8	37.2	34.1
Other services	-2.8	-1.5	6.5	-16.6	7.2	30.0	30.2	42.6	19.5	38.5
Total excluding foreign-controlled finance and holding companies	74.3	-16.2	73.4	-17.5	14.4	922.7	912.1	998.5	984.4	983.1

	Capital flows					Capital stock at year-end (book value)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Memorandum item:										
Real estate activities	-0.5	-0.6	-1.1	-1.4	0.0	3.4	4.3	5.3	6.4	6.4
Total including real estate activities	164.1	21.6	42.6	-55.8	-33.9	1,360.7	1,391.4	1,480.8	1,483.5	1,466.4

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

Source: SNB, *Direct Investment*. Viewed at: https://data.snb.ch/en/topics/aube#!/cube/fdiaustabsa.

Table A1.8 Foreign direct investment by selected trading partners, 2016-20

(CHF billion)

	Capital flows					Capital stock at year-end (book value)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
FDI in Switzerland[a]	**148.0**	**109.3**	**-81.7**	**-105.4**	**-153.1**	**1,264.2**	**1,347.8**	**1,337.4**	**1,376.0**	**1,216.3**
EU-27	124.7	103.2	-99.2	-81.3	-150.9	980.6	1,055.5	966.3	956.3	882.8
Austria	10.1	-1.1	3.5	0.2	6.8	68.3	63.2	76.1	9.9	16.1
Belgium	-1.1	-1.2	-0.5	12.8	-1.5	4.4	4.7	4.0	16.8	18.9
Cyprus	-0.5	1.3	-0.6	1.2	-0.5	13.7	15.1	16.4	16.4	14.7
Denmark	-0.4	1.5	0.2	-15.4	-2.0	16.8	19.2	21.0	5.8	2.6
France	-2.9	0.5	10.4	3.5	0.6	37.4	39.1	45.0	48.5	48.1
Germany	2.3	1.3	-8.8	-2.4	0.4	25.2	27.6	15.8	12.3	14.0
Hungary	4.5	2.5	-2.3	-1.1	-12.0	43.9	46.5	44.1	42.9	29.2
Ireland	25.4	10.9	17.6	-63.6	11.6	71.9	82.5	78.5	93.7	94.5
Italy	0.5	0.0	-1.4	0.2	0.3	4.7	4.5	2.9	2.7	2.8
Luxembourg	33.4	42.1	-28.7	-6.6	-103.5	296.1	361.1	360.7	350.6	283.1
Netherlands	51.0	46.7	-49.7	-18.6	-54.0	378.4	368.1	358.5	402.3	332.4
Sweden	-0.1	0.8	0.6	0.3	1.4	9.9	11.6	12.4	12.1	12.5
United Kingdom	6.0	-26.0	38.7	-6.4	-5.8	49.1	42.1	79.6	71.0	62.0
United States	13.9	-16.5	-34.5	-40.6	18.6	137.1	97.9	83.4	128.7	153.9
Offshore financial centres in Central and South America	3.4	34.8	-51.1	15.1	-31.1	75.6	109.4	56.8	70.6	35.1
Japan	-0.4	-1.9	-0.6	17.3	11.3	5.8	4.4	3.1	20.6	30.9
Swiss direct investment abroad[b]	**164.6**	**22.2**	**43.8**	**-54.5**	**-34.0**	**1,357.3**	**1,387.1**	**1,475.5**	**1,477.1**	**1,460.0**
EU-27	108.8	15.5	11.2	-67.5	-51.2	667.8	687.6	641.9	614.5	664.7
Belgium	-1.6	-4.3	-3.1	5.6	4.2	15.6	13.3	8.5	13.4	17.7
Cyprus	-1.4	52.2	-0.5	0.0	-42.5	8.7	45.5	46.4	49.9	42.0
France	2.9	-0.9	9.0	3.7	0.5	59.6	59.3	63.0	65.8	64.8
Germany	7.2	5.7	10.8	5.4	2.7	41.2	47.2	58.8	63.8	69.5
Hungary	4.0	0.4	0.4	20.4	25.5	5.6	5.8	5.6	26.3	50.1
Ireland	36.2	-42.2	6.7	-36.7	-15.9	137.1	99.9	118.2	83.0	57.9
Italy	0.8	0.6	1.3	2.1	0.9	16.0	17.7	17.9	20.5	21.4
Luxembourg	26.4	-6.2	-3.3	-57.9	-22.7	197.3	193.5	189.7	133.4	114.7
Netherlands	35.7	7.2	0.1	-10.5	-10.3	143.9	156.6	163.3	175.0	158.9
United Kingdom	13.3	-14.5	12.5	5.9	4.6	56.0	52.9	80.6	82.8	89.4
Turkey	0.4	0.2	0.2	0.1	0.9	2.4	2.3	2.3	2.3	2.2
Norway	2.3	-0.4	-0.3	-3.5	0.5	4.9	4.3	4.5	2.6	3.0
Russian Federation	1.1	4.5	2.6	3.9	0.9	17.8	21.4	23.0	28.4	27.8
Offshore financial centres in Europe	4.0	5.1	-0.8	1.2	-0.1	19.8	25.0	23.3	24.7	27.2
Canada	-3.3	0.5	-6.7	8.4	-2.2	44.1	36.3	28.1	37.4	31.8
United States	62.8	14.9	-14.2	-6.9	16.1	268.1	285.1	293.0	281.8	292.6
Brazil	0.1	-0.2	1.2	1.0	-0.3	10.6	10.4	10.3	10.8	8.1

	Capital flows					Capital stock at year-end (book value)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
China	1.5	3.2	3.1	1.7	3.0	20.0	22.1	22.3	23.5	25.2
Japan	2.2	4.4	2.4	0.9	0.7	11.6	14.2	16.8	21.7	22.0
Singapore	-2.5	-1.3	6.4	-4.6	11.0	18.7	18.0	25.0	21.5	32.5
United Arab Emirates	-3.8	-0.5	-3.3	-9.3	-2.2	18.8	17.8	14.7	10.4	4.7
Australia	-0.5	-1.9	-8.6	-0.7	4.0	17.0	15.2	6.5	5.9	10.1

a The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment). Capital stocks by immediate investor.
b The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).

Source: SNB, Direct Investment. Viewed at: https://data.snb.ch/en/topics/aube#!/cube/fdiaustabsa.

Table A2.1 Switzerland and Liechtenstein's RTAs in force, January 2022

RTA name	Coverage goods and services	Other selected issues	Date of signature (entry into force)	WTO consideration process[a] (WTO doc. series)
EEA agreements				
EEA	Goods, services		02/05/1992 01/07/1994	FA issued (WT/REG138)
EEA-EFTA States-United Kingdom	Goods, services	Investment liberalization, environment, labour, SMEs, e-commerce	08/07/2021 01/12/2021	Awaiting data from parties (WT/REG459)
EFTA agreements				
EFTA	Goods, services		04/01/1960 and 21/06/2001 (03/05/1960 and 01/06/2002)	Report adopted (WT/REG154)
EFTA-Turkey (as revised in 2021)	Goods (and services)	(labour, environment)	10/12/1991 (01/04/1992) 25/06/2018 (01/10/2021)	Report adopted (WT/REG86)
EFTA-Israel	Goods		17/09/1992 (01/01/1993)	FA issued (WT/REG14)
EFTA-Palestine	Goods		30/11/1998 (01/07/1999)	No factual presentation (WT/REG79)
EFTA-Morocco	Goods	SMEs	19/06/1997 (01/12/1999)	FA issued (WT/REG91)
EFTA-Mexico	Goods, services	SMEs	27/11/2000 (01/07/2001)	FA issued (WT/REG126)
EFTA-North Macedonia	Goods		19/06/2000 (01/05/2002)	FA issued (WT/REG117)
EFTA-Jordan	Goods	Investment liberalization	21/06/2001 (01/09/2002)	FA issued (WT/REG133)
EFTA-Singapore	Goods, services	Investment liberalization	26/06/2002 (01/01/2003)	FA issued (WT/REG148)
EFTA-Chile	Goods, services	Investment liberalization, SMEs	26/06/2003 (01/12/2004)	FP issued (WT/REG179)
EFTA-Tunisia	Goods	Environment	17/12/2004 (01/06/2005)	FP issued (WT/REG201)
EFTA-Republic of Korea	Goods, services	Investment liberalization, environment	15/12/2005 (01/09/2006)	FP issued (WT/REG217)
EFTA-Lebanon	Goods	SMEs	24/06/2004 (01/01/2007)	Awaiting data from parties (WT/REG224)
EFTA-Egypt	Goods	Environment, SMEs	27/01/2007 (01/08/2007)	FP issued (WT/REG232)
EFTA-SACU[b]	Goods	Environment, SMEs	26/06/2006 (01/05/2008)	FP issued (WT/REG256)
EFTA-Canada	Goods	SMEs	26/01/2008 (01/07/2009)	FP issued (WT/REG271)
EFTA-Serbia	Goods	Environment, Labour, SMEs	17/12/2009 (01/10/2010)	FP issued (WT/REG290)
EFTA-Albania	Goods	Environment, SMEs	17/12/2009 (01/11/2010)	FP issued (WT/REG292)
EFTA-Colombia	Goods, services	Investment liberalization, e-commerce, SMEs	25/11/2008 (01/07/2011)	FP issued (WT/REG299)
EFTA – Gulf Cooperation Council[c]	Goods, services		22/06/2009 (01/07/2014)	Not notified
EFTA-Peru	Goods	Investment liberalization, environment, e-commerce, SMEs	24/06/2010 (01/07/2011)	FP issued (WT/REG295)
EFTA-Ukraine	Goods, services	Investment liberalization, environment, SMEs	24/06/2010 (01/06/2012)	FP issued (WT/REG315)
EFTA-Montenegro	Goods	Environment, labour	14/11/2011 (01/09/2012)	FP issued (WT/REG323)

RTA name	Coverage goods and services	Other selected issues	Date of signature (entry into force)	WTO consideration process[a] (WTO doc. series)
EFTA-Hong Kong, China	Goods, services	Investment liberalization, environment, labour	21/06/2011 (01/10/2012)	FP issued (WT/REG322)
EFTA-Central America (Costa Rica and Panama)	Goods, services	Investment liberalization, environment, labour, e-commerce, SMEs	24/06/2013 (19/08/2014)	FP issued (WT/REG357)
EFTA Bosnia and Herzegovina	Goods	Environment, labour	24/06/2013 (01/01/2015)	FP issued (WT/REG360)
EFTA-Georgia	Goods, services	Investment liberalization, environment, labour, SMEs	27/06/2016 (01/09/2017)	FP issued (WT/REG386)
EFTA-Philippines	Goods, services	Environment, labour	28/04/2016 (01/06/2018)	FP issued (WT/REG394)
EFTA-Ecuador	Goods, services	Investment liberalization, environment, labour	25/06/2018 (01/11/2020)	Not notified
EFTA-Indonesia	Goods, services	Investment liberalization, environment, labour	16/12/2018 (01/11/2021)	Not notified
Bilateral agreements				
Switzerland-EU			22/07/1972 (01/01/1973)	WPR issued (WT/REG94)
Faroe Islands-Switzerland	Goods		12/01/1994 (01/03/1995)	FA issued (WT/REG24)
Japan-Switzerland	Goods, services	Investment liberalization, environment, labour, e-commerce	19/02/2009 (01/09/2009)	FP issued (WT/REG273)
China-Switzerland	Goods, services	Environment, labour, SMEs	06/07/2013 (01/07/2014)	FP issued (WT/REG351)
UK-Switzerland-Liechtenstein	Goods		11/02/2019 (01/01/2021)	FP being drafted (WT/REG437)

a FP (Factual Presentation), FA (Factual Abstract), WPR (Working Party Report).
b SACU comprises Botswana, Eswatini, Lesotho, Namibia, and South Africa.
c The GCC comprises the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Oman, and the State of Kuwait.

Source: WTO RTA database. Viewed at: https://rtais.wto.org; and EFTA, *Free Trade Agreements and Trade Relations by Partners*. Viewed at: https://www.efta.int/free-trade/free-trade-agreements.

Table A2.2 Work and residence permits: rules and procedures for EU/EFTA citizens, January 2022

Rules for EU/EFTA citizens	Rules for citizens of non-EU/EFTA countries
Short-term resident permit	
Permit L-EU/EFTA	Permit L
- Entitlement as long as proof is provided of employment in Switzerland lasting between 3 months and 1 year (for employment of less than 3 months in 1 calendar year: registration only) - Period of validity depends on employment contract - Family reunification possible	- Only qualified workers such as managers, specialists, and other qualified persons are admitted - Priority for Swiss workers, inspection of remuneration and working conditions - Up to 12 months, can be extended up to 24 months - Family reunification possible - Annual quota of 4,000 permits - Trainees/interns possible, but no provision for family reunification
Cross-border commuter	
Permit G-EU/EFTA	Permit G
- Unrestricted geographical mobility - Holder must return to main residence in an EU/EFTA country every week - Self-employment possible - Period of validity depends on employment contract, but 5 years maximum, with possibility of extension	- Valid for 12 months for border zone of canton in which permit issued; annual renewal required - Applicant has been resident for at least 6 months with permanent residence permit in border zone of a neighbouring country - Weekly return to place of residence - Change of job or place of work possible with permission
Residence permit	
Permit G-EU/EFTA	Permit G
- Unrestricted geographical mobility - Holder must return to main residence in an EU/EFTA country every week - Self-employment possible - Period of validity depends on employment contract, but 5 years maximum, with possibility of extension	- Valid for 12 months for border zone of canton in which permit issued; annual renewal required - Applicant has been resident for at least 6 months with permanent residence permit in border zone of a neighbouring country - Weekly return to place of residence - Change of job or place of work possible with permission
Permanent residence permit	
Permit C-EU/EFTA	Permit C
- Normally issued on the basis of permanent residence agreements or agreements based on reciprocal rights once a person has resided in Switzerland for 5 years - Holders have the same rights as Swiss workers on the labour market	- Can usually be applied for after 10 years uninterrupted residence in Switzerland - Holders are no longer subject to employment restrictions

Source: Information provided by the authorities.

Table A3.1 MFN applied tariff summary, 2021

	Number of lines	Average (%)	Range (%)	Standard deviation	Duty-free	Quota (%)
Total	8,525	7.2	0-671.3	28.0	26.9	3.7
HS 01-24	2,358	22.7	0-671.3	51.7	25.3	13.3
HS 25-97	6,167	1.8	0-254.2	4.8	27.5	0.1
By WTO category						
WTO agricultural products	2,146	25.4	0-671.3	54.2	19.5	14.8
Animals and products thereof	175	59.3	0-536	75.1	9.7	68.0
Dairy products	58	87.5	1.1-407.6	93.1	0.0	24.1
Fruit, vegetables, and plants	621	28.4	0-671.3	70.5	15.3	20.6
Coffee and tea	62	9.8	0-109.5	17.5	16.1	0.0
Cereals and preparations	426	20.5	0-176.4	24.4	8.5	5.4
Oils seeds, fats, oil and their products	394	20.6	0-172.4	34.0	25.6	0.0
Sugars and confectionery	58	6.5	0-34.7	6.6	25.9	0.0
Beverages, spirits and tobacco	130	18.9	0-171.3	30.4	10.8	21.5
Cotton	6	0.0	0	0.0	100.0	0.0
Other agricultural products, n.e.s.	216	5.2	0-254.2	23.7	57.4	2.8
WTO non-agricultural products	6,379	1.7	0-59.9	3.4	29.3	0.0
Fish and fishery products	290	0.3	0-13.9	1.2	77.6	0.0
Minerals and metals	1,293	1.8	0-33.3	2.7	12.1	0.0
Chemicals and photographic supplies	1,168	1.1	0-28.5	2.6	39.1	0.0
Wood, pulp, paper and furniture	372	4.6	0-34.1	5.9	21.5	0.0
Textiles	774	2.5	0-59.9	5.7	66.8	0.0
Clothing	332	4.4	0.4-29.3	3.1	0.0	0.0
Leather, rubber, footwear and travel goods	173	1.5	0-9	1.5	3.5	0.0
Non-electric machinery	896	0.7	0-16.6	1.1	18.5	0.0
Electric machinery	361	0.8	0-7.7	1.0	25.5	0.0
Transport equipment	229	1.5	0-24.3	3.1	11.8	0.0
Non-agricultural products, n.e.s.	470	1.4	0-15.9	2.0	26.4	0.0
Petroleum	21	0.0	0	0.0	100.0	0.0
By ISIC sector						
ISIC 1 - Agriculture, hunting and fishing	901	21.9	0-671.3	63.7	26.6	16.8
ISIC 2 - Mining	105	0.7	0-16.7	2.2	62.9	0.0
ISIC 3 - Manufacturing	7,518	5.8	0-536	20.8	26.4	2.2
ISIC 4 - Electrical energy	1	0.0	0	0.0	100.0	0.0
By stage of processing						
First stage of processing	1,428	14.1	0-671.3	51.2	36.4	10.9
Semi-processed products	2,551	2.2	0-109.9	6.3	37.4	0.0
Fully processed products	4,546	8.1	0-536	25.8	17.9	3.6
By HS section						
01 Live animals and products	485	29.4	0-536	63.5	45.8	26.0
02 Vegetable products	1,049	22.3	0-671.3	60.1	17.5	12.5
03 Fats and oils	197	29.1	0-133.5	36.7	36.0	0.0
04 Prepared food, beverages and tobacco	627	16.5	0-223.6	26.4	19.0	8.9
05 Mineral products	183	0.7	0-16.7	2.1	66.1	0.0
06 Chemicals and products thereof	1,091	1.3	0-254.2	8.3	40.9	0.5
07 Plastics, rubber, and articles thereof	243	2.3	0-15.4	2.5	14.0	0.0
08 Raw hides and skins, leather, and its products	74	1.3	0-10.4	1.7	20.3	0.0
09 Wood and articles of wood	153	2.8	0-19	2.9	10.5	0.0
10 Pulp of wood, paper and paperboard	182	7.0	0-34.1	7.2	15.4	0.0
11 Textiles and textile articles	1,098	2.9	0-59.9	5.1	49.4	0.0
12 Footwear, headgear, etc.	60	2.6	0.4-9.8	2.1	0.0	0.0
13 Articles of stone, plaster, cement	165	3.1	0-37.2	4.7	1.2	0.0
14 Precious stones and metals, pearls	61	0.5	0-10.8	1.5	11.5	0.0
15 Base metals and articles thereof	906	2.0	0-33.3	2.5	4.3	0.0
16 Machinery, electrical equipment, etc.	1,252	0.7	0-16.6	1.1	21.6	0.0
17 Transport equipment	241	1.5	0-24.3	3.0	12.0	0.0
18 Precision equipment	241	0.5	0-9.7	1.0	40.2	0.0
19 Arms and ammunition	26	1.0	0.1-5.9	1.5	0.0	0.0
20 Miscellaneous manufactured articles	181	2.1	0-15.9	2.3	21.5	0.0
21 Works of art, etc.	10	0.1	0-0.7	0.2	80.0	0.0

Note: Calculations are based on national tariff line level (8-digit), excluding in-quota rates and including AVEs.
The tariff schedules are based on HS17 nomenclature, consisting of 8,825 tariff lines (at the 8-digit tariff line level).
Ad valorem equivalents (AVEs) were estimated based on 2020 import data at the 8-digit tariff line level.
If no import data were available for 2020, 2019 import data were used in calculations.

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

Table A3.2 Swiss imports by preferential tariff regimes, 2020

(CHF million, %)

	MFN duty-free		MFN dutiable	Preference eligible				Other (HS99)	Total imports in 2020
	Value	% of total		Total	Preferences used	Preference utilization (%)	Preference eligible, but entering MFN dutiable		
EFTA	308.8	66.0	0.5	157.9	132.6	83.9	25.4	0.5	467.6
European Union	75,726.7	49.9	3,241.7	72,744.7	49,624.4	68.2	23,120.2	50.8	151,764.0
Bilateral agreements									
China	6,775.1	40.9	2.0	9,802.3	3,000.6	30.6	6,801.7	1.2	16,580.5
Japan	3,360.9	67.4	10.1	1,618.2	583.1	36.0	1,035.1	0.0	4,989.2
Faroe Islands	4.8	99.2	0.0	0.0	0.0	28.9	0.0	0.0	4.9
EFTA agreements									
Albania	1.0	5.5	0.0	17.6	6.4	36.6	11.2	0.0	18.7
Bosnia and Herzegovina	19.3	15.0	2.3	103.7	65.5	63.2	38.2	3.6	128.9
Canada	1,221.7	69.0	5.8	544.0	37.2	6.8	506.8	0.1	1,771.5
Chile	721.6	91.2	12.2	57.3	1.2	2.1	56.1	0.0	791.1
Colombia	226.7	74.6	0.7	76.6	34.3	44.9	42.2	0.0	304.0
Costa Rica	77.4	76.5	0.0	23.7	10.7	45.2	13.0	0.0	101.2
Ecuador[a]	177.7	86.6	0.1	27.5	9.1	33.1	18.4	0.0	205.2
Egypt	43.8	49.2	7.2	38.0	10.5	27.6	27.5	0.0	88.9
North Macedonia	6.0	8.0	2.0	66.6	20.8	31.2	45.8	0.0	74.6
Georgia	83.1	91.2	0.2	7.9	0.2	2.2	7.7	0.0	91.1
GCC	7,920.9	74.5	1.1	2,705.4	156.1	5.8	2,549.4	0.0	10,627.4
Bahrain, Kingdom of	1.3	1.6	0.0	82.6	76.1	92.2	6.5	0.0	83.9
Kuwait, State of	1.1	16.0	0.0	5.7	0.0	0.0	5.7	0.0	6.7
Oman	3.2	25.3	0.0	9.5	0.3	2.9	9.2	0.0	12.7
Qatar	3.2	0.8	0.6	419.3	0.0	0.0	419.3	0.0	423.1
Saudi Arabia, Kingdom of	377.1	61.6	0.0	235.3	68.2	29.0	167.2	0.0	612.5
United Arab Emirates	7,534.9	79.4	0.5	1,953.0	11.5	0.6	1,941.5	0.0	9,488.5
Hong Kong, China	9,844.9	87.0	1.1	1,463.8	8.1	0.6	1,455.8	0.0	11,309.8
Israel	100.3	25.3	9.7	285.2	93.1	32.6	192.1	1.0	396.3
Jordan	261.4	97.8	0.1	5.7	0.3	4.9	5.5	0.0	267.2
Korea, Republic of	502.7	50.7	1.2	487.8	266.5	54.6	221.3	0.0	991.7
Lebanon	918.2	90.3	0.9	98.2	1.0	1.0	97.2	0.0	1,017.4
Mexico	596.0	57.8	6.2	429.0	147.3	34.3	281.7	0.0	1,031.2
Montenegro	1.0	20.1	0.0	3.9	0.6	16.1	3.2	0.0	4.9
Morocco	41.4	16.0	4.3	213.0	135.4	63.5	77.7	0.0	258.8
Palestinian Authority	0.0	0.8	0.1	0.3	0.2	87.5	0.0	0.0	0.4
Panama	22.9	50.0	0.1	22.8	19.4	85.2	3.4	0.0	45.7
Peru	1,569.9	92.1	0.2	134.4	25.1	18.7	109.3	0.0	1,704.5
The Philippines	535.0	85.7	2.0	87.2	27.4	31.4	59.8	0.0	624.3
SACU	1,719.6	72.8	10.3	632.7	59.0	9.3	573.7	0.0	2,362.7
Botswana	9.6	99.3	0.0	0.1	0.0	0.0	0.1	0.0	9.7

	MFN duty-free		MFN dutiable	Preference eligible				Other (HS99)	Total imports in 2020
	Value	% of total		Total	Preferences used	Preference utilization (%)	Preference eligible, but entering MFN dutiable		
Namibia	0.2	7.5	0.0	3.0	0.0	0.3	3.0	0.0	3.3
Swaziland	2.0	72.6	0.0	0.7	0.0	0.0	0.7	0.0	2.7
South Africa	1,707.8	72.8	10.3	628.9	59.0	9.4	569.9	0.0	2,347.0
Serbia	30.0	14.7	12.8	157.6	102.5	65.0	55.1	4.1	204.5
Singapore	3,549.9	92.7	0.2	281.3	10.3	3.6	271.1	0.0	3,831.4
Tunisia	27.5	14.2	0.5	165.3	51.0	30.9	114.3	0.0	193.3
Turkey	425.4	23.7	19.6	1,353.4	764.9	56.5	588.5	0.2	1,798.6
Ukraine	57.2	30.5	5.7	124.9	26.6	21.3	98.3	0.0	187.9
Non-reciprocal									
GSP[b]	21,474.4	77.8	140.0	5,974.1	1,268.2	21.2	4,705.8	0.0	27,588.5
LDC[b,c]	6,434.2	84.4	0.0	1,191.7	254.2	21.3	937.5	0.0	7,625.9

Note: Calculations based on general total (total 2) with gold bars and other precious metals, coin, and precious stones and gems, as well as works of art and antiques.

a The RTA between EFTA and Ecuador entered into force on 1 November 2020. Until then, Ecuador benefited from a GSP scheme with the amount of CHF 6.5 million, which are counted towards "preference used" category.

b Based on Annex I to the Ordinance on Tariff Preferences (RS 632.911), 16 March 2007 (Status as of 1 November 2020). Viewed at: https://www.fedlex.admin.ch/eli/cc/2007/159/fr.

c Imports from Lesotho were taken into account in LDC economies.

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

Table A4.1 Switzerland's major traded agricultural products, 2016-20[a]

(CHF million, %)

HS 6-digit code/Product description	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	(CHF million)					(% of total agriculture)				
Total agricultural exports	**8,941**	**9,297**	**9,648**	**9,730**	**9,365**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
(% of total exports[b])	*4.2*	*4.2*	*4.1*	*4.0*	*4.2*					
HS 090121 Roasted coffee (excl. decaffeinated)	1,829	2,015	2,095	2,281	2,466	20.5	21.7	21.7	23.4	26.3
HS 220299 Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	1,844[c]	1,790	1,742	1,837	1,718	20.6	19.3	18.1	18.9	18.3
HS 210690 Food preparations, n.e.s.	649	672	711	670	625	7.3	7.2	7.4	6.9	6.7
HS 040690 Cheese (excl. fresh cheese)	527	537	561	575	602	5.9	5.8	5.8	5.9	6.4
HS 180632 Chocolate and other preparations containing cocoa, in blocks, slabs or bars (excl. filled)	421	443	454	453	408	4.7	4.8	4.7	4.7	4.4
HS 240220 Cigarettes, containing tobacco	526	480	554	528	382	5.9	5.2	5.7	5.4	4.1
HS 190110 Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or malt extract	337	355	445	360	340	3.8	3.8	4.6	3.7	3.6
HS 180690 Chocolate and other preparations containing cocoa (excl. in blocks, slabs or bars and cocoa powder)	297	329	318	304	239	3.3	3.5	3.3	3.1	2.6
HS 090122 Roasted, decaffeinated coffee	179	193	197	204	206	2.0	2.1	2.0	2.1	2.2
HS 230910 Dog or cat food, put up for retail sale	155	159	179	182	193	1.7	1.7	1.9	1.9	2.1
HS 210111 Extracts, essences and concentrates, of coffee	142	151	148	149	156	1.6	1.6	1.5	1.5	1.7
HS 170490 Sugar confectionery not containing cocoa, incl. white chocolate (excl. chewing gum)	157	168	169	154	140	1.8	1.8	1.8	1.6	1.5
HS 190120 Mixes and doughs of flour, groats, meal, starch or malt extract	100	98	94	93	97	1.1	1.1	1.0	1.0	1.0
HS 210390 Preparations for sauces and prepared sauces; mixed condiments and seasonings	127	131	121	119	93	1.4	1.4	1.3	1.2	1.0
HS 220421 Wine of fresh grapes, incl. fortified wines (excl. sparkling wine)	88	114	109	92	78	1.0	1.2	1.1	0.9	0.8
Total agricultural imports	**173,542**	**185,774**	**201,849**	**205,150**	**182,312**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
(% of total imports[b])	*7*	*6*	*6*	*6*	*7*					
HS 220421 Wine of fresh grapes, incl. fortified wines (excl. sparkling wine)	778	850	874	896	881	6.8	7.1	7.1	7.3	7.0
HS 090111 Coffee (excl. roasted and decaffeinated)	523	577	584	581	622	4.6	4.8	4.7	4.7	4.9
HS 210690 Food preparations, n.e.s.	388	423	459	487	526	3.4	3.5	3.7	4.0	4.2
HS 190590 Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa	335	349	362	370	385	2.9	2.9	2.9	3.0	3.1
HS 230910 Dog or cat food, put up for retail sale	155	176	202	213	239	1.4	1.5	1.6	1.7	1.9
HS 040690 Cheese (excl. fresh cheese)	202	205	208	214	230	1.8	1.7	1.7	1.7	1.8
HS 060290 Live plants, incl. their roots, and mushroom spawn	201	208	229	225	229	1.8	1.7	1.9	1.8	1.8
HS 220410 Sparkling wine of fresh grapes	181	195	207	207	188	1.6	1.6	1.7	1.7	1.5
HS 180690 Chocolate and other preparations containing cocoa (excl. in blocks, slabs or bars and cocoa powder)	161	162	163	164	163	1.4	1.4	1.3	1.3	1.3
HS 220210 Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption as a beverage	109	122	130	141	161	1.0	1.0	1.1	1.1	1.3

HS 6-digit code/Product description	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	(CHF million)					(% of total agriculture)				
HS 220299 Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	137[c]	138	147	142	148	1.2	1.2	1.2	1.2	1.2
HS 180400 Cocoa butter, fat and oil	174	175	166	171	147	1.5	1.5	1.3	1.4	1.2
HS 020130 Fresh or chilled bovine meat, boneless	155	151	150	141	137	1.4	1.3	1.2	1.2	1.1
HS 180100 Cocoa beans, whole or broken, raw or roasted	125	130	124	132	131	1.1	1.1	1.0	1.1	1.0
HS 040610 Fresh cheese "unripened or uncured cheese", incl. whey cheese, and curd	101	115	128	125	130	0.9	1.0	1.0	1.0	1.0

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

a Major products (top 15) are ranked according to 2020 values.

b Calculations based on total "business cycle" (total 1) without gold bars and other precious metals, coin, precious stones and gems, and works of art and antiques.

c HS changes between HS12 and HS17. The values of HS 220299 (HS17) are derived from HS 220290 (HS12).

Source: WTO Secretariat calculations, based on Swiss-Impex database of the Swiss Federal Customs Administration.

Table A4.2 WTO tariff quotas for agricultural products

	Applied MFN tariff: In-quota tariff (%)		Applied MFN tariff: Out-of-quota tariff (%)		Imports under tariff quotas in 2020[b]			
	As reported in 2021 tariff schedule (tariff range)	AVE[a]	As reported in 2021 tariff schedule (tariff range)	AVE[a]	Unit	Tariff quota quantity	In-quota imports	Fill rate
(1) Live horses, asses, mules and hinnies	3-120 CHF/each	0.4	900-3,834 CHF/ each	20.8	Units	3,322	3,759	100%[c]
(2) Live bovine animals	60 CHF/each	12.1	1,275-1,500 CHF/ each	61.7	Units	20	1,318	100%[c]
(3) Live swine	10-33 CHF/each	0.4	1,000-1,309 CHF/ each	59.9	Units	50	0	0%
(4) Live sheep and goats	3-5 CHF/each	0.9	59.5-122 CHF/ each	21.2	Units	187	459	100%[c]
(5) Animals for slaughter; meat mainly produced on the basis of coarse fodder	20-375 CHF/100 kg gross 25-95 CHF/each	21.2	68-2,212 CHF/100 kg gross 59.5-1,309 CHF/ each	80.1	Tonnes	22,500	49,452	100%[c]
(6) Animals for slaughter; meat mainly produced on the basis of concentrated fodder	0-175 CHF/100 kg gross 40-63 CHF/each	6.7	55-3,140 CHF/100 kg gross 1,309 CHF/ each	95.5	Tonnes	54,482	50,474	92.6%
(7) Dairy produce, in milk equivalent	18-50 CHF/100 kg gross	9.6	40-1,642 CHF/100 kg gross	129.3	Tonnes	527,000	958,242	100%[c]
(8) Casein	4 CHF/100 kg gross	0.8	575.3-909 CHF/ 100 kg gross	107.0	Tonnes	697	11,184	100%[c]
(9) Birds' eggs, in shell	50 CHF/100 kg gross	13.5	371 CHF/100 kg gross	49.2	Gross tonnes	33,735	32,486	96.3%
(10) Dried egg products[d]	255 CHF/100 kg gross	33.2	500-1,596 CHF/ 100 kg gross	32.0	Gross tonnes	977	600	61.4%
(11) Egg products other than dried[d]	79 CHF/100 kg gross	30.1	134-420 CHF/100 kg gross	23.2	Gross tonnes	6,866	6,349	92.5%
(12) Bovine semen	0.1 CHF/ usual unit	0.7	5 CHF/ usual unit	22.1	Appli-cation units	20,000	405,989	100%[c]
(13) Cut flowers[d]	12.5-25 CHF/100 kg gross	2.3	12.5-25 CHF/100 kg gross	2.0	Tonnes	4,590	6,964	100%[c]
(14) Seed potatoes, potatoes for processing, table potatoes, potato products (in potato equivalent)	1.4-70 CHF/100 kg gross	13.0	44-785 CHF/100 kg gross	81.5	Tonnes	22,250	35,626	100%[c]
(15) Fresh vegetables	0-10 CHF/100 kg gross	4.6	85-1,756 CHF 100 kg gross	143.3	Tonnes	166,076	234,198	100%[c]
(16) Frozen vegetables	55 CHF/100 kg gross	34.0	170 CHF/100 kg gross	118.5	Tonnes	4,500	3,900	86.7%
(17) Fresh apples, pears and quinces	2-5 CHF/100 kg gross	2.4	133-153 CHF/100 kg gross	80.2	Tonnes	15,810	12,943	81.9%
(18) Fresh apricots, cherries, plums and sloes	3-10 CHF/100 kg gross	1.6	102-255 CHF/100 kg gross	54.0	Tonnes	16,340	16,259	99.5%
(19) Other fresh fruit	3-5 CHF/100 kg gross	0.5	255-510 CHF/100 kg gross	33.6	Tonnes	13,360	18,663	100%[c]
(20) Fruit for cider	2 CHF/100 kg gross	..	17-21 CHF/100 kg gross	52.3	Tonnes	172	0	0%
(21) Seed fruit products (in seed fruit equivalent)	9-100 CHF/100 kg gross	28.0	82-260 CHF/100 kg gross	58.2	Tonnes	244	244	100%

	Applied MFN tariff: In-quota tariff (%)		Applied MFN tariff: Out-of-quota tariff (%)		Imports under tariff quotas in 2020[b]			
	As reported in 2021 tariff schedule (tariff range)	AVE[a]	As reported in 2021 tariff schedule (tariff range)	AVE[a]	Unit	Tariff quota quantity	In-quota imports	Fill rate
(22) Grapes for pressing and grape juice	34-100 CHF/100 kg gross	37.4	3.47-4.3 CHF/litre 272-782 CHF/100 kg gross	73.2	Hecto-litres	100,000	62,719	62.7%
(23), (24), (25) White wine and red wine	34-50 CHF/100 kg gross	20.0	1.08-3.27 CHF/ litre	34.5	Hecto-litres	1,700,000	1,549,746	91.2%
(26) Durum wheat, undenatured	1 CHF/100 kg gross	2.8	30 CHF/100 kg gross	66.9	Tonnes	110,000	62,009	56.4%
(27) Bread grains, other cereals and cereal products suitable for use for consumption	19 CHF/100 kg gross	21.0	38-40 CHF/100 kg gross	46.3	Tonnes	70,000	38,241	54.6%
(28) Coarse grains for human consumption	0.35-2.55 CHF/100 kg gross	6.2	20 CHF/100 kg gross	34.5	Tonnes	70,000	29,513	42.2%

.. Not available.

a *Ad valorem* equivalents (AVEs) were estimated based on 2020 import data at the HS 8-digit level. If no import data were available for 2020, 2019 import data were used in calculations.
b 2019 imports under tariff quota from WTO document G/AG/N/CHE/113, 9 December 2021.
c In cases where in-quota imports exceed the tariff rate quota quantities, fill rates are capped at 100%.
d The AVE of in-quota tariffs is higher than the AVE of out-of-quota tariffs because of different unit prices used in the calculations.

Source: WTO Secretariat calculations, based on data provided by the authorities; and WTO document G/AG/N/CHE/113, 9 December 2021.