

SWITZERLAND AT A GLANCE



Exporting to Switzerland



Conquering the Swiss market: marketing, import regulations, distribution networks, import promotion services

Pretoria July 15, 2009

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Exporting to Switzerland



Switzerland is not a member of the European Union (EU) but is the most European of all European countries. It unites three major cultural areas of this continent: those of Italy, of France and of Germany. Within its national borders, its inhabitants speak four different official languages: German (65%), French (18%), Italian (10%) and Rhaeto-Romanic (1%). English is frequently considered to be the fifth national language as there are generally enough people who have a sure grasp of the language everywhere.

Mixture of modernity and tradition

Since Switzerland is surrounded by far larger and more powerful neighbours, it has developed a national independence and mentality, which is largely oriented strongly towards the Alps as a cultural and residential area. In this way, Switzerland shapes and grows, with its current population of almost 7.2 million people in an area of nearly 42,000 km², caught between open, modern styles of life and rural-alpine traditions, between ultra-modern, international managements of post-industrial society and forms of direct democracy, some of which can be traced back over several centuries.

The result is one of the most highly developed countries in the world which, in economic terms, enjoys a degree of esteem that goes far beyond its size but which politically only moves with extreme caution at international level. In Switzerland, “small is beautiful” is both a motto and a source of protection.

Politics and co-determination

Neutrality

Switzerland's political neutrality is used as a tool in both its foreign and security policies. This neutrality is self-determined, lasting and armed. Switzerland thus declares in times of peace, of its own free will and in every future armed conflict that the right to neutrality will be observed but can also choose to dispense with this freely-chosen neutrality. As long as the country remains neutral, however, it must observe certain rules, e.g. to defend its neutral status using military force if need be.

Political structure

Switzerland is divided up into 26 cantons (counties), which are the joint basis for the federal Swiss union. Switzerland has a two-chamber system, whereby the 200 members of the National Council form the “House of Representatives” and the 46 members of the State Council represent the “Senate”. Together, they elect the seven members of the Federal Council, the presidency of which rotates annually. At a formal level, the highest Swiss is the President of the National Council, who is also newly elected each year. Despite or, perhaps, thanks to this highly individual solution, Switzerland has a very

stable government as witnessed by the fact that the same four parties have been the sources of these seven ministers since 1949 until today.

However, Switzerland also has a very well-founded and direct democracy since voters are called to the ballot boxes up to four times a year at which issues of every sort are decided upon. The individual cantons are also highly autonomous although joint solutions are generally sought nowadays. This pronounced federal structure, which also mainly involves the peripheral and Alpine areas in political power to an excessive proportion, forms a counterpart to and a compensation for the economic imbalance of the midland region.

Climate

Due to its geographical situation, Switzerland is part of all the main climatic areas of Europe. The spectrum extends from subtropical zones in the south of the country to arctic areas in the mountains. Regular, often violent, fast-changing winds and fast-changing weather conditions in the Alps and temperature inversion, as it is called, are typical of "Swiss" weather. Tourists, in particular, are delighted and amazed that there is fog at lower altitudes and cold temperatures while the sun shines in the Alps above and temperatures are significantly higher. Local people remain unfazed and simply put up with the whims of the weather.

As a result of its geographical structure, Switzerland can be easily divided up into a midland region, (low central plain from East to West), the Alps (a mountain chain in the south of the country) and the Jura (a mountain chain in the north-west of the country). With a surface area of only around 16%, the midland region is, however, the heart of Switzerland, in which around 80% of the population lives and works.

Infrastructure



Unparalleled road and rail connections are, after all, part of an infrastructure that leaves nothing to be desired. In particular, public transport which links the major conurbations every thirty minutes is part of national pride and personal image thanks to its reliability and punctuality. Alongside its connection with the European high-speed networks, the NEAT project (two transalpine projects: the Lötschberg and the Gotthard) and noise reduction, Bahn 2000 is one part of four current major rail projects of the Swiss Federal Railways. Bahn 2000 comprises the construction of various new lines and the use of new rolling stock. Twelve percent more trains, more frequent connections and additional modern trains will extend its current programme.

Population

Change in family and lifestyles

Social change has left its mark on marriage and the family to a major degree. Fewer and fewer people are getting married in Switzerland and the age at which people marry continues to rise. A historically unique decline in the birth rate that is well below the level of maintaining the population shows no sign of stopping. With the change in marriage and birth rates, the composition of families has changed dramatically. While the number of families with a large number of children is on the decline, the number of childless couples continues to increase. Small families with one to two children are the rule

nowadays. Larger families are encountered more frequently in rural cantons, while small households prevail in the mainly urban cantons.

Life expectancy has also increased in line with the increase in prosperity; for women, the figure is 82 and for men it is 75. The result is an increasing rise in the ratio of old people to the total population.

Multicultural society

With an alien proportion of almost 20%, Switzerland is multicultural. The foreign population comes from increasingly distant regions. The proportion of foreigners from non-European countries has increased from 5% to 14% since 1970. Dependent on region, the proportion of foreigners varies widely. It is particularly high in the major cities and the border areas.

Culture and religion

Religion

Traditionally, the Roman Catholic and the Protestant churches represent the religious homeland of the majority of people living in Switzerland.

Culture

Artists of every discipline can count on an interested public with money to spend in Switzerland since it is also perfectly natural for members of the middle classes to buy and to care for objets d'art of every kind. In Switzerland, however, culture is by no means elitist in nature, but is pursued intensively at every level of society, either in repertory theatres all over the country or in countless musical ensembles and orchestras. The numerous street processions and festivals at Lent or the various forms of harvest festivals in autumn are the highlights of this attitude towards culture.

Environment

Swiss people are not only proud of their beautiful countryside but also look after it intensively and display a high degree of awareness for the preservation of Nature and their natural resources. Water- and air pollution have been reduced enormously since the 1960s and the return quotas for waste paper, waste glass, batteries, scrap metal and waste oil is almost unparalleled on a global scale.

Spatial development, transport policies and environmental rights

On the one hand, progressive spatial development and environmental laws ensure the orderly juxtaposition of heavily built-up commercial areas and natural and agricultural regions. Since it is very densely populated, Switzerland has always been conscious of its environment from time immemorial. On the other hand, however, the spatial development and transport policies of the Confederation, the cantons and the local authorities have a restricting effect on locations for retail trade, for planning the size of sales areas as well as the construction of parking spaces, etc. A large number of developed areas cannot therefore be considered due to the prevailing construction and zoning regulations.

Health and sport

Health enjoys a traditionally high position both in terms of eating habits and bodycare. Preference is given to dishes



and care products that promote health, contribute to wellbeing and satisfy a general awareness of fitness.

Sport is not a patriotic affair in Switzerland but a national issue and an element of communal life. There is not one village that is too small not to have at least one sports club. The mountains and lakes provide year-round activities for nature lovers and sports enthusiasts.

Consumer behaviour and awareness

Swiss people are demanding consumers. With its small and open national economy, Switzerland has always exposed most of its local products to competition from its immediate neighbours. The demand for quality as well as for the usual wide range of products is correspondingly high. Thanks to their relative prosperity, Swiss people enjoy travelling, enjoy getting to know new products, which they then also love to buy back home. Freshness and quality have top priority when buying, however. For exporters from distant countries, however, a far greater problem is that Switzerland – although it only has a population of around seven million inhabitants – is not a uniform market. Its cultural and regional variety as well as the four seasons ensure that there is a never-ending change in the expectations and wishes of the consumers, which can only be successfully mastered with experience and an accurate adjustment to the consumer's varying behaviour.



With regard to consumer goods of existential need (food and clothing), the Swiss market is marked by a heavy concentration on a few major distributors whose activities cover both the food as well as the non-food area. Smaller chains of department stores and specialist stores share the rest of the market but are generally inadequate as sole distribution partners, particularly when major sales volumes are to be achieved.

Consumer trends - a change in eating habits

Consumption of milk and yogurts in Switzerland has been on the decline for decades, while meat consumption also declined in the 90s. The reverse is true for the consumption of vegetables and (until the start of the 90s) of fish and seafood. Spending on food and pricing levels has been on the decline in Switzerland for several years. Supplementing basic foodstuffs with additional benefits allows food producers to justify higher prices and thus maintain their shares of a saturated food market. Products with additional benefits are considered to be food with special quality features such as organic origin, “convenience” products or “functional” food.

Organic products

The demand for foodstuffs that are produced both naturally and organically is high. A large number of consumers are willing to acknowledge, i.e. pay for, the added value that organically produced products inherently contain. The share of organic products in the Swiss food market currently amounts to 2.5 per cent. In the mid-term, sales will increase to 5 per cent.

E-commerce

Although widely known, the use of electronic shopping in Switzerland is not very widespread. The Internet is generally used to obtain information and only a total of 19% of Swiss Internet users regularly shop online. In future, however, while it is anticipated that e-commerce has considerable growth potential, online shopping will not be the main focus. However, obtaining information will remain at the same level.

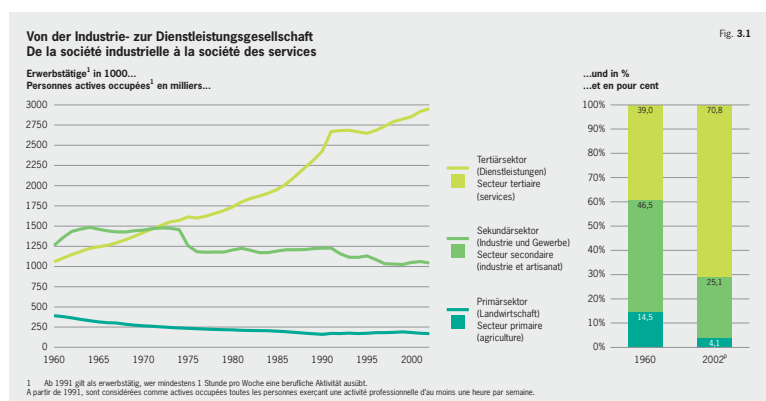
The Swiss economy in brief

Competition

The Swiss economy is based on the principles of a free market economy. More rigorous cartel legislation aims to strengthen free and fair competition. Cartels are not prohibited but misuse of them is punishable. Swiss cartel legislation has largely been harmonized with that of the EU since 1995. The new domestic market legislation ensures greater competition and the reduction of protectionist regulations at cantonal and communal level. The competition watchdog committee can intervene if there is any suspicion of improper competition limitations.

Structure of the job market

The proportion of people in work out of the total population in Switzerland is the highest in the whole of Europe. Mainly since the Second World War, Switzerland has developed into a service centre par excellence for Central Europe. Over 2/3 of the country's workforce are currently employed in the tertiary sector. Without the increasing number of working women, this development would not have been possible. Women's jobs nowadays focus more strongly on the service sector. Here, the proportion of women is even somewhat higher than that for men.



Inflation and cost of capital

Switzerland has always fully deserved its reputation as a country oriented towards stability. In recent years, the rate of inflation has regularly remained below or at about 1%, thus being well below that of the EU and the USA. Interest rates are also traditionally low in Switzerland. A high savings ratio and a major inflow of foreign money make it look like an actual interest paradise in an international comparison.

Trademarks and patents

The protection of intellectual property is highly developed in Switzerland. This is particularly interesting for companies that operate internationally since they can obtain worldwide protection with one single registration.

Small and medium-sized enterprises and internationalization

With a share of 99.7%, small and medium-sized enterprises with workforces of up to 250 employees are the backbone of the Swiss economy. They provide work for over 70% of the approximate total of 3.5 million employees. Around 12% of the over 300,000 companies in Switzerland also export products, and almost 10,000 of them generate more than two thirds of their net sales abroad. For these reasons, globalization is not an unfamiliar word to Swiss companies. As well as well-known global players such as Nestlé, Novartis or ABB, it is largely the small companies that are practically unknown outside their branch of business that have world-class status in selected niches. Swiss companies also invest abroad to an above-average degree. At the end of 1998, there were already around 4,500 companies that had foreign investments and employed more than 1.6m employees abroad. That corresponds to almost 50% of those in employment in Switzerland.

Swiss foreign trade

Open foreign markets are of existential importance to Switzerland. The Swiss foreign trade policy is accordingly committed to strengthening the legal framework of business relationships and their successive liberalisation within the framework of the WTC and the EU as well as with EFTA.

European Union – EU



The EU is Switzerland's most important trading partner by far: three fifths of our exports go to the EU area while four fifths of our imports originate there. Switzerland also has close contractual ties with the European Union. The Free Trade Agreement (for industrial products) was concluded in 1972, while 1999 saw seven bilateral agreements covering the free movement of persons, overland transport, civil aviation, agriculture, research, the elimination of technical barriers to trade and public procurement markets.

Further bilateral negotiations between Switzerland and the European Union covering ten new topics are currently taking place:

- Taxation of interest payments
- Policing and judicial cooperation
- Fight against fraud
- Environment
- Statistics
- Media
- Education, occupational training and youth
- Pensions
- Processed agricultural products
- Services

The three fundamental freedoms, freedom of movement of persons, capital and services, are closely linked within the EU. While the liberalization of the movement of persons was settled in the first bilateral agreements.

Expanding EU opportunities and challenges for Switzerland

The first challenge is the expansion of the bilateral agreements to include the new Member states. The free movement of persons taps into a pool of qualified and motivated workers. Expansion into new markets is viewed as an opportunity for Switzerland. There is now a new potential for an increase in trade with Central European markets. Swiss quality products are in demand in the Central European regions, where there is three to four percent growth and major investments in plant and infrastructure. Conversely, imports from the new Member states are also increasing fairly strongly in Switzerland. In the agricultural, automotive construction, machinery, furniture and textiles sectors, new competitors are pushing into the Swiss market. The Central European countries are also becoming attractive as manufacturing locations. In the longer term, Switzerland can anticipate the lasting growth of its gross domestic product of 0.2 to 0.5 percent thanks to EU expansion.

Switzerland as a member of the WTO

The Swiss economy is strongly interlinked with foreign countries. Among other things, this is evident from the comparatively high foreign trade ratio, considerable foreign trade streams and large-scale direct investments abroad. This is all the more reason for Switzerland to take a keen interest in reliable international ground rules for cross-border economic transactions. In this respect, Switzerland's active participation in the World Trade Organization (WTO) is an important component in its foreign trade policy.

Current agreements

The Doha round that was started in Qatar in November 2001 aims at further liberalisation steps in the goods sector, in agriculture and services, generally improving integration of the developing and transition countries in the global economy and would like to strengthen the regulations surrounding subsidies, anti-dumping, legal foundations for free trade agreements and tariff unions and in settling disputes. Similarly, efforts are being directed at the creation of a register for geographical indications for wines and spirits (and other non-trade concerns, NTC) and a basis for the mutual support of WTO regulations and environmental agreements.

GATS

The General Agreement on Trade in Services (GATS) has a beneficial effect for Switzerland as an important exporter of services.

TRIPS

The agreement on trade-related aspects of intellectual property rights (TRIPS) has ultimately strengthened protection against forgeries and piracy on a number of Swiss industrial export markets.

Tariff reduction in agriculture

A framework agreement was concluded in the agriculture sector that set out a further liberalisation step and, to some extent, took into account the specific needs of Swiss agriculture. A substantial harmonising tariff reduction is planned whereby the high tariffs are to be more substantially reduced than the low ones ("tiered formula"). The additional

introduction of “cappings” (determining a maximum tariff rate per tariff line) has not yet been finalized. Sensitive products might be treated more leniently than with the general reduction formula. For this to happen, however a certain expansion of tariff quotas and/or an additional tariff reduction can be anticipated for these products. A harmonizing and substantial reduction in internal, product-linked support must also take place. An upper limit for support for every single product (product-specific capping) is to be introduced. The abolition of all types of export aid (export subsidies, etc.) is similarly planned. Switzerland is keen to see an improvement in market access in other countries and is interested in ensuring that non-tariff based obstructions to trade are removed.

Special regulations for developing countries

These regulations are intended to permit significant exceptions to liberalisation dependent on tariff structure. Although the poorest developing countries do not have to take on any reduction obligations, they will still have to increase their degree of commitment of their tariffs. An important topic is preference erosion: many countries that currently enjoy preference tariffs would like to keep these preference margins. However, the countries outside this preference regime are in favour of a substantial tariff reduction in order to improve their export opportunities.

Friends of anti-dumping negotiations

Switzerland itself does not have any anti-dumping (AD) legislation nor has it so far introduced any AD measures against foreign products. Conversely, the Swiss export economy has also been largely spared any anti-dumping tariffs in recent years. Anti-dumping measures (i.e. penalties on products intended for import) are being increasingly used as protectionist tools. For this reason, Switzerland has joined a heterogeneous group of WTO members (“Friends of Anti-Dumping Negotiations”) whose common aim is to exert its influence on negotiations for a more restrictive application of the anti-dumping agreement.

Subsidies and Countervailing Measures Agreement

The WTO's existing Subsidies and Countervailing Measures agreement (SCM) covers the goods sector and has, firstly, introduced a structuring of the types of subsidies and, secondly, regulated the use of compensatory measures (penalty duties on subsidised goods). Switzerland itself has no legislation on compensatory measures and has not yet imposed any such measures on foreign products. Conversely, Swiss export business has also largely been spared any compensatory duties in recent years.

Regional agreements

In recent years, there has been a trend towards an increase in regional and supra-regional free trade agreements that have to be reported for reasons of transparency. However, the WTO checking processes have proved to be difficult. Within the framework of EFTA, Switzerland has built up a comprehensive network of what are currently 20 free trade agreements, which, in contrast to the multilateral efforts, does not represent a further liberalisation of trade.

EFTA

The third pillar in Swiss foreign trade is the European Free Trade Association (EFTA), which was founded by the Stockholm Convention and has its headquarters in Geneva. Switzerland plays an active role, particularly in relations between EFTA and third-party countries, whereby the important aspect for Switzerland is to improve EFTA's access to

foreign sales markets and to ensure that EFTA is not discriminated against in comparison with other business players (EU, US).

The revision of the EFTA Convention is based on the sectorial agreement between Switzerland and the EU in 1999 (Bilateral I). The free movement of persons between Switzerland and EFTA countries is a new introduction. The convention was actually supplemented in the sectors for services, the movement of capital and the protection of intellectual property. The agreement to modify the EFTA convention came into force at the same time as the Bilateral I agreements between Switzerland and the EU in 2002. Since then, the Convention has been regularly adapted to stay abreast of changes in the Bilaterals as well as the EEA.

Swiss foreign trade

Switzerland is highly dependent on foreign trade. This applies both to exports as well as to imports, which is why Swiss trading policies are extremely liberal and are committed to free trade in theory and practice. Sensitive areas in agriculture represent exceptions to this. In three economic areas, the balance of trade posts an active balance, i.e. in terms of value, Switzerland exports more goods to threshold, developing and transformation countries than it imports from them.

⇒ Total exports 2003: 135.4 billions Swiss francs

⇒ Total imports 2003: 129.7 billions Swiss francs

Export

Swiss exports are marked by their worldwide strength in selected products and service areas. Their specific strength is – partly due to the relative size of the country – not mass-produced goods, but made-to-measure products combined with a superlative after-sales service. This is demonstrated by the fact that exports originating from Switzerland come first by value worldwide in the field of clocks and watches, second in the field of paper processing machines, fourth in textile machinery, food processors and packaging machines. About ten per cent of all medicaments consumed worldwide come from Switzerland. In the service sector, Swiss companies also have a leading position, particularly in the field of private banks, insurance companies and reinsurance.

On the basis of a detailed evaluation of Swiss imports and exports, Swiss industry has the highest competitive advantages in the following areas:

Over 60 %	Optical and photographic equipment, clocks and watches
Over 50 %	Metalworking machines
Over 40 %	Medical and pharmaceutical products, machines (selected branches)
Over 30 %	Dyestuffs

It is hardly surprising that these areas belong to the four most important Swiss export groups, which account for almost four fifths of all exports:

◆	Machinery and electronics	28 %
◆	Chemicals and pharmaceuticals	27 %
◆	Instruments, clocks and watches, jewellery	15 %
◆	Metals and metal goods	8 %

72 per cent of Swiss exports also comprise high-grade niche products while “expensive” niche products only amount to 42 per cent of imports.

Import

Import requirements- general facts

Switzerland’s import requirements are, firstly, the result of its lack of raw materials, its geographical and climatic restrictions in the production of food and, secondly, the high standard of Swiss industry in the manufacture of products. As might be expected, around 70% of all imports consist of raw materials, semi-finished goods and consumer goods. The proportion of investment goods is around 25% and the remaining five per cent mainly consists of the import of fossil fuels. The fact that import requirements are greatest in those branches of business in which Swiss industry has leading positions in the global market supports the observation that it concentrates on manufacture and that components have either largely been transferred to countries where production is cheaper or they are purchased directly on the market.

The imports by economic area developed in opposite directions in 2003: while those from industrial and transformation countries increased, imports into Switzerland from threshold and developing countries declined.

Import regulations (legal requirements)

Product liability

A written agreement regulating deliveries should definitely be concluded in order to avoid misunderstandings and any legal disputes. The delivery agreement must also unmistakably regulate where the seller’s responsibility ends and where the buyer’s responsibility begins. The commonly used international Incoterms are recommended for this purpose. Swiss product liability regulations basically conform to those in the European Union. Regardless of fault, the manufacturer is liable for damage caused by nonconforming products. The Product Liability Directive (85/374/EEC) states that the importer is liable for the products he puts on the market. The importer, however, can generally pass on a claim to the producer/exporter, which means the legislation is also relevant for producers outside the EU. Please also note that products that fall under a New Approach Directive on CE marking are covered by the Product Liability Directive.

Currency

Apart from the Swiss franc, the Euro or the US dollar can be used as a common unit of currency.

Tariff trade barriers:

1. Import duties/tariffs

Agricultural products:

The Swiss agricultural sector is strongly protected and enjoys the world’s highest subsidies. This fact, together with weak internal competition for a range of goods and services, causes high consumer prices which are well above the level of neighbouring countries. High customs duties are levied on a range of agricultural products such as sugar, cereals, vegetable oils and dairy products. However, Switzerland grants duty

concessions in the agricultural sector (Generalised System of Preferences - GSP system) to the poorest developing countries (PMA) as a development policy measure. In comparison to the standard tariff, duty rates are reduced by between 55% and 75%. For organic products, the general customs tariffs and regulations apply.

Manufactured products

Switzerland has an open trade regime for industrial products. No anti-dumping law exists which aims to protect domestic manufacturers. Fundamentally, there are no quantity-based import restrictions on manufactured products. Higher customs duties are levied on processed products than on raw materials. However, in a number of sectors, the market entry has long suffered from “private” or “informal” barriers which can be attributed to a legacy of weak anti-cartel legislation, specific and protective technical regulations, certain investment restrictions, and exclusive rights under intellectual property legislation.

Generalized system of preferences (GSP)

By exporting to Switzerland, developing countries profit from tariff reductions in the sector of industrial goods and partly in the agricultural sector. There are further tariff reductions in favor of least developed countries. The Swiss Federal Council decided in July 2001 – after the EU-initiative “Everything but arms” – to abolish the tariffs for all agricultural products.

Duty system

In contrast to most countries, Switzerland has a duty system that is based on weight. This so-called specific duty is applied on a weight basis to products from countries that are not members of the EU or EFTA. For this reason, the rates in Switzerland are generally lower than in other countries. This favors the importation of high-quality goods, which have a low weight but a high intrinsic value. Swiss import duties for all products can be viewed online.

Customs clearance

The exemption from duties does not mean that no customs clearance is required. With a PC and the Internet, seeking customs clearance today is largely automated (so-called customs model 90, Electronic Cargo Processing).

Documents

The most important document for customs clearance is the customs declaration, to which the invoice, the weight specification, as well as the certificate of origin are to be attached. A certificate of origin is required if preferential rates are to be applied or if the goods need to be re-exported. The goods transportation certificate EUR.1 or the declaration of origin on the invoice are valid as proof of origin. For the import of meat and fish products, sanitary certificates are required. The import of organic products must be accompanied by a certificate of inspection. This certificate serves as proof of compliance with production requirements and submission to an inspection procedure.

2. Taxes

VAT

As is the case with other indirect taxes and duties on consumption, value-added tax (VAT) can be levied only by the Confederation. To reduce administrative outlay, very small companies are exempt from VAT, and certain goods and services are exempt as

well. As the emphasis is on direct taxes, the VAT rate is a maximum of only 7.6% at the moment, making it the lowest VAT in the whole of Europe. Importers pay a value-added tax of 2.4% on foodstuffs that they bring into Switzerland. The import of software on data media is also subject to value-added tax. The VAT rate is the same for both imported goods and those produced in Switzerland.

Monopoly fee

Monopoly fees must be paid for the import of products with an alcohol content of between 15 and 22 vol. % or added distilled spirits.

3. Quotas

In Switzerland, imports of agricultural produce are controlled by import regulations. The quotas for fruit and vegetables vary by season. "Tariffication" (the conversion of non-tariff import restrictions into tariffs) is applied and not the absolute limiting of quantities. The tariff-rate quotas are allocated in four different ways in Switzerland: 1. Quota access contingent on the purchase of domestic output 2. Import comparison figures 3. Auction and 4. A first-come-first-served approach. This last approach is the most frequent form of allocation when the import quantity is periodically deallocated and every company entitled to import can import goods within the scope of this quantity of goods until the supply is exhausted. What is decisive, dependent on product category, is either the time of import customs clearance or that when the application was submitted for authorisation.

4. Licenses

For some products (sugar, rice, oils & fats and grain) special import licences, so called *Generaleinfuhrbewilligung (GEB)*, are necessary. They are only granted to Swiss importers and applications for these must be submitted to Réservesuisse.

5. Bans

In some cases, Switzerland can prohibit the imports of certain goods. Well-known examples are bans on products of protected animals and plants. Other products that can be subject to bans include medicines, pesticides, plants and foodstuff, and electrical products, usually on the basis of safety and health considerations.

Non-tariff trade barriers: Legislation and market requirements

Products requiring registration

For safety and health considerations, for reasons of environmental and consumer protection, as well as for compliance with international and national standards, medicines, cosmetic products, cleaning agents, electrical appliances, measuring and weighing devices, heating systems, pressure vessels and motorcycles are subject to certain regulations when they are imported into and marketed in Switzerland.

A: Legislation

1. Swiss food legislation

The Swiss Law on Foodstuffs is among the strictest in the world. Food produced from gene-manipulated organisms (GMOs) must be approved by the authorities and clearly declared as such. The partial revision of the Swiss Ordinance on Foodstuffs of July 2004 permitted urgent adaptations to international regulations (EU) and to prevailing market conditions. The Swiss Food Directive applies to the manufacture, treatment, storage, transportation and delivery of food, for the marking and advertising of food, as well as for agricultural food production. The Swiss Ordinance on Food Hygiene (Hyv) describes the general hygiene requirements, the Ordinance on Food Additives regulates the use of additives in food and the Ordinance on Contaminants stipulates the maximum values for the numerous ingredients and contaminants that occur naturally in foodstuffs. The Swiss Law on Foodstuffs also regulates the special import restrictions that apply to meat, fish and dairy products. The Federal Veterinary Office (FVO) is responsible for controlling these imports.

2. EU food legislation

The quality and safety of foodstuffs is to be improved in future with EU regulation EC 178/2002, which comes into force in January 2005, in terms of the traceability and identification of foodstuffs. The new legislation requires that all participants within the food chain are in a position to trace the origin of all raw materials and all ingredients as well as the recipients of the products. Traceability applies, in particular, to the fishery industry. The Food and Fishery industry in the EU and in third world countries wanting to export food and fish products to the EU, must have implemented systems to comply with requirements of EU regulation no. EC 178/2002.

3. Federal law on medicinal products and medical devices

In Switzerland, no product that is available commercially as food or as a special foodstuff must be advertised as having healing properties. Products that claim to have healing properties are medicaments and must be approved by Swissmedic.

4. Swiss ordinance on the safety of technical devices and equipment (STEV).

In the area of technical standards, Switzerland has largely adopted the regulations of the European Union so that decisive market barriers no longer exist for exports to the EU. In Switzerland, technical devices and equipment (TEG) must correspond to the basic safety and health requirements in accordance with Article 4 of the STEV or, if no such requirements have been stipulated, be manufactured in accordance with the recognised rules of technology. If components of TEGs are assembled, the project leader responsible must issue a conformity declaration for the entire installation. The individual suppliers must supply manufacturers' declarations in accordance with the European machinery directive 98/37/EC. The CE symbol indicates that this TEG can correspond to the relevant EU directive but should merely be seen as a "technical passport". Binding certification of safety for adherence to the EU directive is only given with the declaration of conformity that the product meets all applicable regulations concerning its commissioning.

5. Law on the Control of Precious Metals (EMKG)

In Switzerland, all deliveries of jewellery are sent to the relevant department for the control of precious metals where the items are checked for authenticity. Each item of jewellery must have 2 stamps:

- Details of fineness of the precious metal content
- A responsibility mark

The responsibility mark is the factory and trademark registered in the main office for the control of precious metals. It can best be compared to a signature. Whoever puts his responsibility mark on an item of jewellery thereby takes on the responsibility for its material composition. Any complaints are then referred to him. Each control office has a database of all registered responsibility marks.

6. Plant protection agreement

The import of living plants that is subject to species protection regulations of the Convention on International Trade in Endangered Species (CITES) is controlled by the Federal Veterinary Office (Federal Plant Protection Service). CITES is an international trade convention to which Switzerland is a signatory. It deals with the prohibition, limitation and the control in the international trade of endangered species of animals and plants.

B: MARKET REQUIREMENTS

Market requirements can be described as a set of requirements that producers or exporters can adhere to on a voluntary basis to show that their product, production process, or management system takes account of this common awareness. Market requirements play an important role in the field of quality, environment and social accountability. It is important to note that market requirements quite often evolve into legislation, as for example with the legislation for packaging waste and trade in endangered species. Although requirements are followed on a voluntary basis, one can say they do represent society's priorities. As such, neglecting market requirements means neglecting the demands of clients.

Norms and Standards Standards are produced by many organisations, some for internal usage only, others for use by groups of people, groups of companies, or a subsection of an industry. A problem arises when different groups come together, each with a large user base doing some well-established thing that between them is mutually incompatible. There are many National Standards, but overall the International Organization of Standardization (ISO), based in Geneva, has established tens of thousands of standards covering almost every conceivable topic. Most of these are then adopted worldwide replacing all the incompatible 'homegrown' standards.

Mutual recognition agreement (MRA)

On the basis of the Federal Law on Technical Trade Barriers, Switzerland has largely already adapted its product regulations to the corresponding EU legislation. However, there is no obligation in Switzerland for products to have the CE marking.

The 1999 Switzerland-EU bilateral agreement (MRA) provides for the mutual recognition of tests, certificates, and similar proof of conformity to established quality standards, for

the vast majority of industrial products. To the extent that Swiss legislation is recognized as being the equivalent of EC legislation, a single test of conformity will henceforth be sufficient for commercialization of the products in question in the markets of both Switzerland and the Community. Duplicate testing to establish conformity to specific Swiss or Community requirements will no longer be necessary. In cases where Swiss specifications differ from those of the EU, further testing will remain necessary, in the one case to demonstrate conformity with Swiss legal requirements and in the other conformity to EU laws. In both cases, however, the tests may now be carried out by Swiss or the EU certification bodies.

1. Universal standards (quality management)

ISO

The International Organization for Standardization is the world's largest developer of quality management standards that refer to company management.

CE marking


Any product that comes under one of the so-called New Approach Directives of the EU and is going to be placed on the EU market has to bear the CE marking. CE stands for European Conformity and is a legal requirement through which a manufacturer claims that the product complies with minimum product safety requirements. A product that is marked with CE may enter all countries of the EEA (including the EU).

2. Standards for health & safety

2.1. Manufactured products

Swiss technical standards

SNV Swiss Association for Standardization


 The Swiss Association for Standardization promotes the drafting and harmonisation of norms and standard. Swiss code of standards only contains very few purely Swiss standards. In the course of globalisation, industry has consistently gone over to international standards during the past twenty years. The SNV only issues new Swiss standards if a particular branch wishes to take special Swiss conditions into account.

SICTA




Within the framework of a Federal mandate, the Swiss Information and Communications Technology Association (SICTA) is carrying out consultation and coordination work for new and modified standards in telecommunications worked out by the ETSI (European Telecommunications Standards Institute).

Electrosuisse

 The SEV Association for Electrical Engineering, Power and Information Technologies works in the sectors for standards development and standards consultancy. Part of Electrosuisse is the Comité Electrotechnique Suisse (CES), which is responsible for electrotechnical standards in Switzerland. At national level, CES works with the standards organizations in other

branches, particularly with SNV and SICTA, and, at European and global level, with the European Committee for Electrotechnical Standardization (CENELEC) and the International Electrotechnical Commission (IEC).

SIMSA:


 The Swiss Interactive Media and Software Association represents the Swiss industry of interactive media, internet and software in order to advance their members in national and international markets.

2.2. Food products

HACCP certificate

Hazard Analysis and Critical Control Point (HACCP) is a systematic technique that enables management to introduce and maintain a cost-effective, ongoing food safety program. The major benefit of HACCP is that it involves the methodical assessment of all the many steps involved in a food operation and the identification and control of those steps that are critical to the safety of the product.

Eurepgap

 Eurepgap is an initiative of retailers belonging to the Euro-Retailer Produce Working Group (EUREP). It has subsequently evolved into an equal partnership of agricultural producers and their retail customers. The aim of Eurepgap is to develop widely accepted standards and procedures for the global certification of Good Agricultural Practices (GAP), to ensure the integrity, transparency and harmonization of global agricultural standards. This includes the requirements for safe food that is produced in respect of worker health, safety and welfare, environmental and animal welfare issues.

GAP (Good Agricultural Practices)

GAP applies recommendations and available knowledge to addressing environmental, economic and social sustainability for on-farm production and post-production processes resulting in safe and healthy food and non-food agricultural products.

GHP/GMP (Good Manufacturing/Hygiene Practices)

GHP/GMP contains clear regulations in the fields of cleaning, maintenance, personnel hygiene requirements, infrastructure and traceability. It forms the basis for implementing an HACCP concept.

GDP (Good Distribution Practices)

GDP is that part of quality assurance which ensures that products are consistently stored, transported and handled under suitable condition as required by the marketing authorisation (MA) or product specification. Good distribution practices will, in future, be of major importance for foodstuff certification.

GFSI (Global Food Safety Initiative)

The key priorities of the GFSI are to implement a scheme to benchmark food safety standards worldwide and to build an international early warning system. GFSI wants to encourage cooperation between the worldwide food sector and national and pan-

national governments and authorities, to communicate the Initiative to all concerned parties and promote consumer education and to coordinate Good Retailing Practices.

BRC

The objective of the British Retail Consortium is to specify Food Safety and Quality criteria required to be in place within a manufacturers' organization to supply products to UK retailers. The format and content of the Standard is designed to allow an assessment of the supplier's premises and operational systems and procedures by a competent third party, thus standardizing food safety criteria and monitoring procedures. The BRC standard has also been adopted in Switzerland to some extent. It comprises HACCP, GHP as well as some ISO 9001 stipulations and is recognized by GFSI.

IFS

The International Food Standard was developed by German retailers for the monitoring and auditing of manufacturers with own brands in the foodstuffs sector. It is based on the GFSI and its aim is to stipulate international safety standards for companies that supply the trade with own-label brands. In addition, the standard can be used for all production stages after agricultural level. A constant process of improvement must be assured and documented. The standard that is strongly connected with ISO 9001 and is recognised by GFSI, permits a benchmarking system on the range of suppliers. The Swiss retail companies Coop, Migros and Globus support the IFS.

ISO 22000

International standard ISO 22000 is currently still only a draft. It will define the requirements of a food safety management system covering all organizations in the food chain from farmers to catering, including packaging. In recent times there has been a worldwide proliferation of third party HACCP and Food Safety Standards developed both by national standards organizations and industry groups including the UK's own BRC Food and Food Packaging Standards. ISO 22000 aims to harmonize all of these standards, to ensure that one single certification system will be sufficient in future.

3. Environmental standards

A: Environmental management

ISO 14001

The Environmental Management System (EMS) is a structured approach to addressing the environmental bottom line. ISO 14001 is a recognized EMS framework that helps organizations both to manage better the impact of their activities on the environment and to demonstrate sound environmental management.

ISPM15

International Standards for Phytosanitary Measures (ISPMs) are developed through the work programme of the Interim Commission on Phytosanitary Measures (ICPM). The International Plant Protection Convention and the WTO Agreement on the Application of Phytosanitary and Sanitary Measures (SPS Agreement) provide the legal framework under which the ISPMs are developed. Phytosanitary standard ISPM 15 is being used by increasingly more countries to prevent the introduction of wood pests. The import of goods into these countries must therefore be with wooden packaging that has been pretreated in a specifically prescribed way.

C: Ecolabelling

Ecolabelling is a voluntary method of environmental performance certification and labelling. An “ecolabel” is a label which identifies overall environmental preference of a product or service within a specific product/service category based on life cycle considerations. In contrast to “green” symbols or claim statements developed by manufacturers and service providers, an ecolabel is awarded by an impartial third party in relation to certain products or services that are independently determined to meet environmental leadership criteria.

MSC



The Marine Stewardship Council (MSC) was set up by WWF International and Unilever, one of the largest frozen-fish dealers. The MSC’s environmental standard for sustainable fishing, the Principles and Criteria for Sustainable Fishing, is based on the FAO Code of Conduct for Responsible Fisheries. The MSC standard is constantly reviewed by an independent group of fishery experts from all over the world. Under its voluntary scheme, fisheries around the world can apply to be independently assessed against this standard. Pierrot Lusso (Unilever in Switzerland) has set itself the target of only offering MSC-certified products within five years’ time. Migros and Coop have expressed similar intentions.

FSC

FSC certification is granted by the FSC (Forest Stewardship Council) that operates on a global basis. The FSC has set up principles and criteria for the environmentally-friendly and socially-acceptable management of forests. These standards have to be adhered to worldwide in all forests with FSC certification. Independent certification companies monitor certified forestry operations at regular intervals. A wooden product may only bear the FSC label after ensuring that the wood actually originates from an FSC forest. Any company that further processes wood from an FSC forest must therefore also be FSC-certified. Even though the FSC label was only introduced to Switzerland in 1998, the FSC seal of quality is already very well known and sales of FSC products are noticeably increasing (2003: 52%).



MPS



Milieu Project Sierteelt was founded in Holland and qualifies flower growers’ environmental approach to their work. MPS-GAP is benchmarked with the EUREPGAP flowers and plants scheme. The certification scheme MPS-GAP sets out minimum requirements which producers must meet in order to be able to supply the participating supermarkets. The requirements which are more extensive than the requirements of EUREPGAP, relate to growing conditions, labour, the environment and nature. Participants who comply with the requirements receive the MPS-GAP certificate. Registration for MPS-GAP is more extensive than MPS registration. MPS has also developed social standards. These social standards are based on SA 8000 and are harmonized with leading NGOs.

FLP



The German Flower Label Programme sets forth guidelines for humane and environmentally-friendly flower production. It covers social and

ecological standards and monitors compliance with these in international flower production. All FLP member farms undertake to adhere to labour rights that are recognized worldwide and are prescribed by the International Labor Organization. On a global scale, every flower farm can be inspected to FLP standard by independent inspectors and become a member of the Flower Label Programme.

Oeko-Tex standard



This standard was issued by “Oeko-Tex International”, an association of independent European textile testing institutes. The Oeko-Tex standard 1000 is the consistent continuation of Oeko-Tex standard 100, which has been in existence for more than 10 years. Oeko-Tex standard 1000 is a testing, auditing and certifying system and covers human ecology through to production conditions in textile manufacture. Demand for clothing produced in ecologically clean conditions has also sharply increased in Switzerland. Textiles are being increasingly labelled according to Oeko-Tex standards.

4. Social accountability standards

ILO

The International Labor Organization is a specialized agency of the United Nations for dealing with labor issues. ILO seeks to strengthen workers’ rights, improve working and living conditions, create employment, and provide information and training opportunities. ILO programs include the occupational safety and health hazard alert system and the labor standards and human rights programs. The ILO formulates international labor standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights.

SA 8000

SA 8000 is designed to be the first auditable international standard for companies seeking to guarantee the basic rights of workers. It is based on 12 International Labor Organization (ILO) conventions, the United Nation's Universal Declaration of Human Rights, and the UN Convention on the Rights of the Child. The objective is to ensure ethical sourcing of goods and services.

Fair trade standards

Max Havelaar



The Max Havelaar label is for products that are produced in fair trade with farming cooperatives and plantations. Among other things, fair trade means prices that cover costs, guaranteed minimum wages for the workforce as well as long-term trading relationships. The products must be produced according to strict social and ecological guidelines, whereby organic production is not a condition for the label but it is basically aimed at. The Max Havelaar foundation issues a license for the use of its seal of quality. As a non-profit organization, it does not trade commercially in the products itself. The aim of Max Havelaar Switzerland is to launch a new product every year. Since 2001, flowers with the Max Havelaar seal of quality have been available in Switzerland. The Max Havelaar flower farms pledge to adhere to both social and ecological conditions. They are regularly inspected in cooperation with FLP and MPS by the Max Havelaar foundation.

Claro & Gebana

These two names do not represent labels in the true meaning of the word but are the brand names of alternative trade organizations. To some extent, their products are also produced according to organic guidelines and are sold in Switzerland in claro-Welt shops, organic and local shops.



STEP



The target of this foundation is fair conditions in the manufacture and trade of carpets. Firms that adhere to the label conditions in their entire purchasing and trading policies and are actively opposed to illegal work by children are allowed to use the STEP label.

Links:

General information about Switzerland:

www.standortschweiz.ch
www.osec.ch
www.seco-admin.ch
www.admin.ch

Swiss economy:

www.wettbewerbskommission.ch
www.preisüberwacher.ch
www.wipo.int
www.swissreg.ch
www.iccwbo.org
www.paction.modelcontracts.com

Foreign trade:

www.europabrevier.ch
www.seco-admin.ch
www.wto.org
www.efta.int
www.intracen.org
www.cbi.nl

Customs & Import Information:

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Food & Medicine Legislation:

www.internutrition.ch
<http://www.bag.admin.ch/verbrau/lebensmi/news/d/Rechtliches.htm>
http://www.bvet.admin.ch/info-service/d/gesetzgebung/fleischimport_img.pdf
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www.who.org
www.herbworld.com
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Technical Legislation:

<http://www.admin.ch/ch/d/as/2002/853.pdf>
http://www.admin.ch/ch/d/sr/819_11/app2.html
http://www.zoll.admin.ch/d/firmen/emk/a_z/edelmetallkontrollgesetz.php
http://www.pamp.com/gold_c/Info_site/in_jewe/in_je_hall.htm

Norms and Standards:

Technical Standards:

www.iso.org
<http://www.saferpak.com/iso22000.htm>
<http://www.newapproach.org/Directives/Default.asp>
http://europa.eu.int/comm/consumers/cons_safe/index_en.htm
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www.kompakt.net
www.globalfoodsafety.com
www.fresenius.com
http://www.step-up.ch/html/haccp_brc_ifs_.html
www.brc.org.uk

www.food-care.info
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environmental standards:

www.holz-bois.ch
<http://www.ossec.ch/holzverpackungen:internal&action=buildframes.action>
<http://www.gen.gr.jp/eco.html>
http://www.fao.org/fi/default_all.asp
<http://eng.msc.org/>
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<http://www.flower-label-program.org/>
www.oeko-tex.com

Social accountability standards:

www.cepaa.org
<http://www.linkethicaltrade.com/sa8000a.htm>
www.fairtrade.net
www.ifat.org
www.claro.ch
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www.maxhavelaar.ch
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www.ilo.org

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