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Switzerland's trade policy : multilateral and bilateral processes

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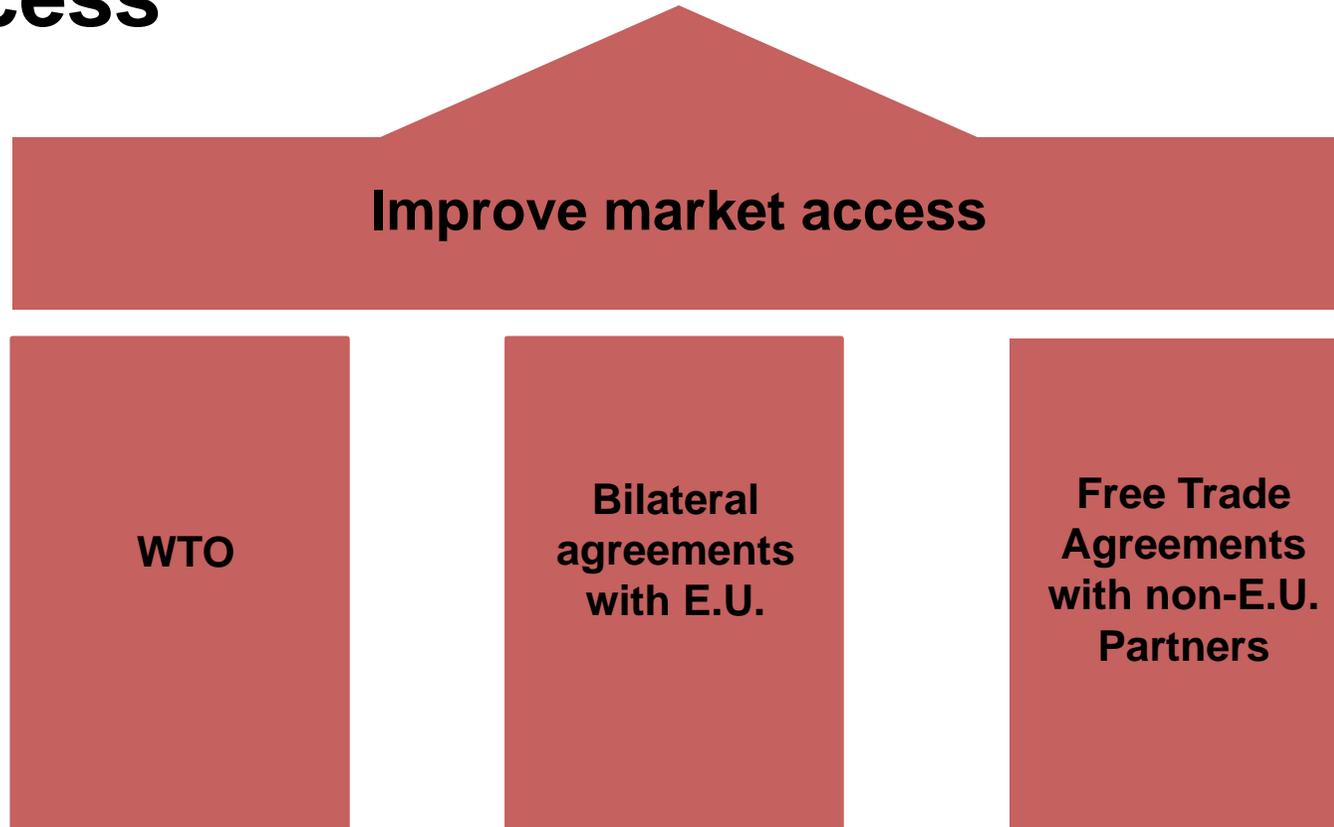
Swiss foreign economic policy and (EFTA) free trade agreements (FTA)

- Switzerland: Small market, few natural resources
- Economic welfare heavily depending on : foreign trade and investment
- Switzerland's foreign economic policy : ensure non-discriminatory and predictable market access conditions around the world



Swiss foreign economic policy

Three instruments to improve market access







MTS (GATT and WTO) : Tailor-Made for Small, High-Tech Export-Oriented Economies

- Global framework conditions to secure market access globally (non-discriminatory solutions like MFN and national treatment principles)
- Predictability of trade regime and regulatory stability (SMEs)
- Few or no unnecessary obstacles (customs duties, TBTs, complex and lengthy administrative procedures, etc)
- Need for large market (larger than domestic market) to recoup investment in research&development and fixed costs
- Need for property rights protection : tangible (Investment) and intangible (TRIPs)



Uruguay Round : Switzerland's Involvement (I)

- Punta del Este Declaration (1986) / CH coordinated «Café au Lait» Coalition
- Intellectual inputs : subsidies, services, TRIPs, dispute settlement
- How to square the circle ?
 - Squarely liberal in NAMA, rules (constraining use of trade remedies), industrial subsidies, import licensing
 - Offensive in services and protection of intellectual property
 - Highly defensive in agriculture (market access, domestic support and export subsidies)
 - CH's coordinates G10



Uruguay Round : Switzerland's Involvement (II)

- Switzerland : founding member of WTO (1st July 1995)
- Swift implementation according to Swiss standards (federal state with direct democracy)
- Amendment of 16 laws (agriculture (11), TRIPs (4), services (1)) and introduction of new law on government procurement
- Optional referendum : initiators failed to collect a sufficient number of signatures
- No widespread use of DSU : Things are changing



How to Deal with Present Day's Challenges (I)

- Crisis of multilateralism
 - Divisions between WTO Member States
 - Need for a new S&D approach in order to allow differentiation of commitments (in function of capacities to contribute)
 - Serious trade tensions between China and USA
 - Make use of multilateralism's remaining potential (e.g. Fisheries)
 - Plurilateral approaches : e.g. e-commerce, investment facilitation, MSMEs
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How to Deal with Present Day's Challenges (II)

- Need for WTO reform
 - Improve functioning of WTO's original machinery
 - Review of DSU while preserving integrity of system (negative consensus, appeal procedure and impartiality of arbitrators)
 - Revisit rules book
- Trade and sustainable development
- Trade and Health



Switzerland's European policy

- EU with its 27 member states is by far Switzerland's most important partner.
- Switzerland is also one of the EU's major partners.
- Switzerland is not a member state of the EU; instead, it conducts its relations with the EU on the basis of bilateral sectoral agreements.
- To further develop bilateral approach, clarification of Switzerland's institutional relationship with the EU is necessary.
- Switzerland and the EU completed negotiations on an institutional agreement in November 2018.
- In June 2019, the Federal Council decided to seek clarification on three unresolved issues (wage protection, state aid and the Citizens' Rights Directive).



Free Trade Agreement (1972)

- Free trade area for industrial goods. Also covers trade in processed agricultural products
- Abolishes customs duties and prohibits quantitative restrictions,
- Crucial to the Swiss economy:
 - 51% of Swiss exports go to the EU (approx. CHF 124 bn.),
 - 69% of Swiss imports (approx. CHF 142 bn.) come from the EU (2019).
 - A large part of these exchanges are governed by the free trade agreement.



Other trade-relevant bilateral agreements with the EU

- Insurance
- Customs facilitation
- Free movement of persons
- Technical barriers to trade (MRA)
- Public procurement
- Agriculture
- Air transport
- Land transport



Content Free Trade Agreements

Offensive interests:

- Market access for industrial products
- Intellectual property
- Services/investments public procurement
- Trade facilitation and customs regimes
- Trade and sustainable development

Defensive interests:

- Market access for agricultural products
- Access to the Swiss labor market (mode 4)



Importance of the FTAs

- 23% of Switzerland's total exports (2015; without the E.U.)
- Market improvement (predictable, stable, free of barriers and discrimination)
- Avoiding discriminations vis-à-vis main competitors
- Saving on customs duties
- Preferential access for Swiss companies to finished and semi-finished products
- Preferential access between authorities to solve problems
- Legal security
- Positive impact on growth, added value, direct investments, competitiveness of the Swiss site



Thank you for your attention