



ECONOMIC FRAMEWORK

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Free competition and trade and the protection of intellectual property are the cornerstones of economic success and make Switzerland attractive to both domestic and foreign companies. Efficiently organized administrative processes guarantee security for planning and day-to-day operations, while progressive environmental laws promote sustainability.

3.1 ECONOMIC FREEDOM

Switzerland is an extremely attractive location for global companies. The main reasons for this are its liberal economic environment, political stability, good general conditions, and an economic policy based on the free market.

Switzerland has greater economic freedom than any other country in Europe. Globally, it's in fourth place behind Hong Kong, Singapore, and New Zealand, as confirmed by the annually published Economic Freedom of the World study. This index measures a country's economic liberty in five areas: extent of government activity, legal structure and security of property rights, currency stability, freedom to trade internationally, and level of regulation.

Economic Freedom, 2017

Overall score from 0 to 10

(FIG. 11)

1	Hong Kong	8.91
2	Singapore	8.71
3	New Zealand	8.50
4	Switzerland	8.40
5	USA	8.19
6	Ireland	8.13
7	United Kingdom	8.09
8	Canada	8.08
9	Australia	8.07
13	Denmark	7.89
17	Japan	7.86
17	Luxembourg	7.86
20	Germany	7.82
21	Finland	7.80
25	The Netherlands	7.72
26	Austria	7.71
33	South Korea	7.59
35	Sweden	7.56
40	Belgium	7.51
46	Italy	7.41
50	France	7.35
79	India	6.91
85	Russia	6.78
113	China	6.42
124	Brazil	6.23

Source: Fraser Institute, Economic Freedom of the World: 2019 Annual Report

3.2 INTERNATIONAL EXCHANGE OF GOODS AND SERVICES

The Swiss economy is characterized by a high degree of international integration, with half of the country's GDP generated abroad. This is only possible thanks to the highly effective cross-border movement of goods and people.

3.2.1 Free Trade Agreements, WTO, and Elimination of Trade Barriers

The continuous improvement of access to foreign markets is an objective of Swiss foreign trade policy. A growing number of countries are simultaneously concluding bilateral or plurilateral, regional or cross-regional free trade agreements to supplement the multilateral liberalization of trade. In addition to the EFTA Convention and the bilateral Free Trade Agreement with the European Union (EU), Switzerland currently has a network of 30 free trade agreements with 40 partners outside the EU and is also a member of the WTO. The agreements are normally concluded within the EFTA framework, but some stand outside it, such as those with Japan and China. The WTO applies the most-favored-nation clause in trade with all WTO member states and is generally committed to eliminating trade restrictions worldwide.

In joining the WTO Switzerland has also undertaken to convert most non-tariff trade barriers into customs duties. Apart from a few exceptions (primarily agricultural products), domestic products are not protected against international competition. There is no actual anti-dumping law. There are essentially no volume restrictions on the importation of processed products. Imports and exports of industrial goods basically enjoy full duty and quota exemption on the European markets thanks to the free trade agreements with the EU and EFTA. Duty and quota exemption does not mean that customs clearance is not necessary but that it is not an obstacle. It is now a largely automated process conducted via the IT applications e-dec and NCTS.

www.seco.admin.ch > Foreign Trade and Economic Cooperation
Free trade agreements (WTO)

3.2.2 Customs and Excise

Although Switzerland has been a member of the Schengen Area since the end of 2008, it is not part of the European Customs Union and the European internal market. As a result, customs controls remain in place. The most important document for customs clearance is the customs declaration, which must be accompanied by the exporter's invoice (indicating the weight) and proof of origin, where necessary. A certificate of origin is required in order to benefit from preferential duty rates within the scope of free trade agreements or the Generalized System of Preferences (developing countries) or if the goods are to be re-exported and the origin is to be carried over.

Unlike most other countries Switzerland uses a system of customs clearance based on gross weight. This so-called specific customs duty is therefore levied on products for which no exemption from duty is granted. Swiss customs duties are usually lower than those of other countries. This system favors the import of high-quality technical components, which weigh very little but are extremely valuable.

In line with other countries, Switzerland levies taxes and duties at its borders, such as the automobile tax, tobacco and beer tax, mineral oil tax, the CO₂ levy, the VOC incentive tax, and the mileage-related heavy vehicle toll (MRHVT). At a standard rate of 7.7%, VAT is much lower than in neighboring countries (Germany: 19%, France: 20%, Austria: 20%, Italy: 22%). Within the European Union, value added tax rates vary between 17% (Luxemburg) and 25% (Denmark and Sweden).

Goods that are only intended to be held temporarily in Switzerland in intermediate storage can be stored without customs clearance and duty unpaid in bonded warehouses. The goods are therefore in transit between the border and the bonded warehouse. The subsequent exportation of the goods is then subject to the customs tariff of the importing country. The goods so stored may not be processed, or they become liable for normal customs clearance. Bonded warehouses are public facilities. They are operated by private warehousing companies and are open to all interested parties. Open bonded warehouses, meanwhile, are used for storing goods that have not been cleared through customs on a company's own premises, but separately from domestic goods. They are usually operated by shipping companies and are becoming increasingly important.

Used household effects of people moving to Switzerland that are intended for their continued personal use are exempt from customs duty. At the time of importation, the completed official form must be submitted to the Swiss customs office. Clearance of household effects must take place during customs office opening hours (see chapter 13.2.1).

www.ezv.admin.ch
Swiss Customs Administration

www.s-ge.com > Services > ExportHelp
Information about exports and customs tariffs worldwide

3.2.3 Rules of Origin

Raw materials and component parts that are imported from third countries can acquire Swiss-origin status and consequently be delivered tax-free to countries which have signed the free trade agreement (e.g. the agreement with the EU), if they have been sufficiently processed in Switzerland within the scope of the relevant free trade agreement. In many situations this is the case if the added value created in Switzerland is between 60% and 80% of the finished product's selling price (depending on the product).

This regulation is of interest because high-quality products often have a low weight but a high product value. They can therefore be imported cheaply into Switzerland, be processed, and then be exported to countries with tariff preference, with which a free trade agreement exists. If, for example, goods are imported in this way from a country outside the EU/EFTA area and processed in Switzerland in such a manner that they acquire Swiss-origin status, no duty is normally payable when the goods are exported to an EU/EFTA country.

www.ezv.admin.ch > Information companies > Exemptions, reliefs, preferential tariffs and export contributions > Exportation from Switzerland
Information about origin

3.3 PROTECTION OF FREE COMPETITION

Switzerland's economic system is based on the principles of the free market. The key regulatory task in a market economy is protecting competition. In Switzerland, this is primarily ensured via the instruments of the Cartel Act and the Internal Market Act. The Cartel Act, which has been largely harmonized with EU regulations since 1995, strengthens free and fair competition. Cartels are not illegal, but abuses are sanctioned. The Internal Market Act ensures greater internal competition and the elimination of protectionist regulations at cantonal and municipal level.

The application of the Cartel Act and the Internal Market Act is the responsibility of the Competition Commission, an independent government authority. The Competition Commission's tasks are to combat harmful cartels, to monitor abuses by companies dominant on the market, to carry out merger checks, and to prevent state restrictions of competition and intercantonal business transactions.

www.weko.admin.ch
Competition Commission

3.4 PROTECTION OF INTELLECTUAL PROPERTY

The protection of intellectual property rights is well established in Switzerland. The Swiss Federal Institute of Intellectual Property (Eidgenössisches Institut für Geistiges Eigentum, IGE) located in Bern, is the national authority for all issues concerning patent and trademark protection, indications of source, design protection and copyright.

A comprehensive system of patent, trademark, design, and copyright protection guarantees that the results of innovation and creativity in Switzerland are protected both nationally and internationally.

The IGE has a user friendly website where information about intellectual property rights in Switzerland can be accessed. The Swissreg database also provides free access to much important information in relation to patents, trademarks, designs, and copyright.

Switzerland has signed many bilateral and multinational agreements within the framework of the World Trade Organisation (WTO), including the protection of intellectual property to facilitate and enhance the export-oriented Swiss economy. Switzerland also cooperates in the worldwide protection of IP rights as a member state of the World Intellectual Property Organisation (WIPO) which is based in Geneva.

www.ige.ch
Swiss Federal Institute of Intellectual Property (IGE)

www.ige.ch/en > Intellectual Property > SME Portal
Information specifically for SMEs

www.swissreg.ch
Database of the Swiss Federal Institute of Intellectual Property

www.wipo.int
World Intellectual Property Organization (WIPO)

3.4.1 Patents

A Patent provides the owner of an invention with the right to prevent others from using it for a maximum of 20 years. Patent rights can be used to give a competitive advantage while exploiting the invention directly, or can provide a legal basis for licensing someone else to make use of the invention.

To be eligible for a patent, the invention must fulfill the following basic criteria:

1. **Technical invention:** the resolution of a technical problem by technical means.
2. **New:** an invention is considered novel when it is not in the public domain at the time of the patent application. It must not be a simple modification to something that already exists. It must also be inventive such that the invention must not be obvious to someone with specialist knowledge and experience in the same field.
3. **Industrial application:** the invention must be something that can be made or used and must be suitable for industrial use.

There are three options to register a patent:

- National / Swiss patent: patent applications can be submitted to the IGE. Swiss patent protection extends to Switzerland and the Principality of Liechtenstein.
- Regional / European patent: patent applications can be submitted to the European Patent Convention (EPC) to obtain protection in the member states of the EPC including Switzerland, through a standardized patent investigation and granting procedure conducted by the European Patent Office.
- International patent: patent applications can be submitted to the WIPO pursuant to the Patent Cooperation Treaty (PCT), which Switzerland has ratified and which enables inventors to submit an international application which then has the same effect as a national application in all named member states.

An application to patent an invention can be filed by individuals or legal entities, however the inventor will always be an individual and will be named as the inventor in the patent application.

A patent is protected in the country in which it is registered and in force. It takes an average of three to five years between the filing of a national application and the granting of the patent. An accelerated process is possible upon request. The patent remains in force as long as the annual fees and annuities are paid during the 20-year validity period.

A patent costs CHF 200 for the application, CHF 500 for the Swiss patent application search and CHF 500 for the examination. Annual annuities are payable starting four years after the date of filing and increase on an annual basis according to the taxes outlined by the IGE (Latest taxes modified as of 1 July 2019).

www.ige.ch
Swiss Federal Institute of Intellectual Property

www.ige.ch > Intellectual Property > IP Rights at a Glance
IP Rights at a Glance

www.epo.org
European Patent Office

According to the World Intellectual Property Organization, Switzerland has the highest number of patent applications per resident.

3.4.2 Trademarks

Switzerland recognizes trademarks as any word, slogan, or device used to distinguish a trader's goods and/or services from those of another trader (individual/company). Trademarks are business identifiers. In Switzerland, rights arise from registration of a trademark with the Swiss trademark register, Swissreg. To be eligible for a trademark, the word, slogan, or device must fulfill all of the following basic criteria:

- The trademark must not infringe another's rights (e.g. an earlier registered trademark);
- The trademark must be distinctive;
- The trademark must not be descriptive of the goods or services; and
- The trademark must not be against public order or public morality.

An application to register a trademark in Switzerland can be filed with Swissreg by individuals or legal entities. A trademark is registered for 10 years from the date of filing the application and thereafter can be kept in force indefinitely by renewal at intervals of 10 years. In Switzerland, trademark applications can be submitted electronically. The registration fee is 550 Swiss francs (plus class fees). If the mark meets the protection requirements, it is normally registered within a maximum of six months. Swissreg does not check whether an identical or similar trademark exists. It is therefore recommended that a trademark availability analysis is conducted directly or with the support of a trademark attorney in advance of filing the application. International trademarks protected in Switzerland can be consulted, free of charge, online via the WIPO Madrid Monitor.

There are three options for protecting trademarks abroad:

- National trademark registration: trademark applications can be submitted to the relevant national intellectual property authority and are subject to local legal requirements (use of a local trademark attorney is thus recommended).
- Regional / European registration: trademark applications can be submitted to the European Union Intellectual Property Office via one single trademark application, which ensures registration and provides protection in all EU member states.
- International registration: trademark applications can be submitted to the WIPO, according to the Madrid System, the trademark owner can register its trademark in any of the 122 member states with a single application, while the assessment of such applications is carried out by the trademark authorities in the respective countries.

www.ip-search.ch
Trademark search

www.ige.ch/ma-berater
Trade mark consultants

3.4.3 Design

A design refers to the visual appearance of articles which are produced industrially. The features of appearance that are relevant are the three-dimensional shapes of the article or part of the article as well as the two-dimensional decoration on the surface of the article. To be eligible for registration as a design, it must fulfill both of the following basic criteria:

1. New: the design must be new; and
2. Individual Character: the design must be sufficiently distinguishable from existing designs.

An application to register a design in Switzerland can be filed with the IGE by individuals or legal entities. A design can be protected for a maximum of 25 years provided that renewal fees are paid at intervals of 5 years and publication can be deferred for up to 30 months after filing to protect the novelty of the design from competitors. The IGE does not check whether an identical or similar design exists. It is therefore recommended that a design availability analysis can be conducted directly, or with the support of a specialist attorney in advance of filing the application. There are three options for protecting designs abroad:

- National design registration: design applications can be submitted to the relevant national intellectual property authority and are subject to local legal requirements.
- Regional / European registration: design applications can be submitted to the European Union Intellectual Property Office via one single application, which ensures registration and provides protection in all EU member states.
- International registration: design applications can be submitted to the WIPO, according to the Hague System, the design owner can register its design in any of the 73 contracting parties in 90 countries (including Switzerland) with a single application, while the assessment of such application is carried out by the design authorities in the respective countries.

www.s-ge.com/product-design

Facts and figures on product and industry design in Switzerland

www.ige.ch > Protecting your IP > Designs

Protection of Designs

3.4.4 Copyright

A copyright, protects the author of literary and artistic works; it arises automatically whenever such work is created and does not require any registration. Copyright lasts for the lifetime of the author plus up to 70 years. The first owner of copyright is the author however, if the author creates the work in the course of his or her employment duties, then the first owner is the employer. While there is no registration procedure for copyright, the Swiss Society for Authors, the SSA, protects the rights of stage writers and authors of audiovisual works in Switzerland and abroad.

ssa.ch/en/ > About > Vision/Mission

Swiss Society for Authors

3.5 PRODUCT REGULATIONS AND PRODUCT LIABILITY

For health and safety reasons, certain products such as medicines, cosmetics, cleaning agents, electrical appliances, measuring and weighing equipment, heating systems, pressure containers and motorcycles for example are subject to certain regulations when imported into and sold in Switzerland. These products are also subject to environmental and consumer protection regulations and comply with international and national standards. The law regulates which particular conformity assessment procedures shall apply, depending on the product's hazard potential. The procedures range from self-checks (e.g. for machines) to assessments by officially approved independent conformity assessment centers (e.g. for pressure containers) to government licensing (e.g. for medicines).

Mutual recognition agreements (MRAs) are a politically important tool for removing technical trade barriers in the state-regulated sector and are recognized by the World Trade Organization. If the product regulations in two states are of a comparable standard, a conformity assessment conducted under the exporting country's regulations is sufficient to allow the product to be distributed in the other country. Switzerland's MRA with the European Union is the most economically important example (CE marking [Conformité Européene]). The health and safety requirements for products are determined by laws and ordinances. With regard to product safety, Switzerland has largely adopted the regulations of the European Union (EU), so that no major market barriers exist in this area for exports and imports to and from the EU.

In addition, since July 1, 2010, the so-called Cassis de Dijon principle has applied to the EU. According to this principle, many products from the EU/EEA, which previously had to be produced, repacked or relabeled solely for the Swiss market, can now be imported more easily and without technical obstacles. The condition for this is that the products meet the regulations of the relevant EU or EEA country and were circulated there lawfully. Swiss product liability regulations are largely comparable with those in the European Union - the manufacturer is liable for damage caused by defective goods, irrespective of whether the manufacturer himself is negligent. In Switzerland, liability applies to all products put into circulation from 1994 onwards. The following sections give further details on the regulations relating to a number of important product categories. However, due to the large number of laws and ordinances in existence, it is essential to seek detailed information in specific cases.

www.seco.admin.ch > Work > Product safety

Product safety regulations

www.seco.admin.ch > Foreign Trade and Economic Cooperation

Technical trade barriers

www.snv.ch > Services > Switec InfoCenter

Standards: switec - Swiss information center for technical regulations

www.sas.admin.ch

Accreditation: Swiss Accreditation Service (SAS)

3.5.1 Foodstuffs

The Swiss Ordinance on the Identification and Pricing of Foodstuffs (LKV) contains strict regulations on the information that must be declared. All ingredients must be named and listed on the packaging or labels of pre-packed foodstuffs in descending order of quantity. Foodstuffs which are not defined in a federal ordinance must be approved by the Swiss Federal Office of Public Health (FOPH). FOPH's approval is mandatory for foodstuffs, additives, and processing agents which are genetically modified organisms (GMOs), contain such or have been obtained from such, and which are intended for sale to consumers. The presence of GMOs is tolerated if they do not constitute more than 0.9%. All other products require approval. Nutritional values and health-related information must comply with legal requirements as per the Foodstuffs Identification Ordinance (LKV). It is forbidden to market foodstuffs as having a therapeutic effect. Products with a therapeutic effect are medicines and must be approved by Swissmedic (see section 3.5.2).

For foodstuffs, parliament has passed a special resolution relating to the Cassis de Dijon principle: foreign foodstuffs that do not fully satisfy Swiss technical regulations must be approved by the Swiss Federal Office of Public Health (FOPH).

www.bag.admin.ch

Information from the Swiss Federal Office of Public Health (FOPH)

It takes a few months to license a new pharmaceutical product with Swissmedic, the Swiss Agency for Therapeutic Products (excluding the company's internal processing time), making Switzerland's registration process one of the fastest in the world.

3.5.2 Pharmaceutical Products

The manufacture and sale of medicines is subject to mandatory licensing in Switzerland. It takes a few months to license a new pharmaceutical product with Swissmedic, the Swiss Agency for Therapeutic Products (excluding the company's internal processing time), making Switzerland's registration process one of the fastest in the world. Normal evaluation of a license application for a human medicine with a new active ingredient costs 80,000 Swiss francs (medicines with a known active ingredient with innovations cost 30,000 Swiss francs).

The licensing requirements largely correspond to those in the EU, which makes it easier to apply for licensing in Switzerland and the EU simultaneously. Swiss registration enjoys high international standing, thanks to the country's exceptional scientific reputation, its strict criteria, and the large number of renowned hospitals for clinical testing. The fast-track process enables fast licensing decisions to be made (within 140 days, excluding the company's internal processing time) for vital medicines (e.g. to treat AIDS or Alzheimer's), despite rigorous testing.

www.swissmedic.ch

Swiss Agency for Therapeutic Products

3.5.3 Medical Devices

In Switzerland the regulation of medical devices is mainly based on the Federal Law on Medical Products and Medical Devices (HMG), the Medical Devices Ordinance (MepV) and the Ordinance on Clinical Tests with Therapeutic Products (VKlin). The same regulations for medical devices apply in Switzerland as in the EU. Bilateral contracts thereby enable free trade in medical devices produced by Swiss manufacturers within the European Union, EFTA member states, and Turkey. A medical equipment supplier that wishes to sell its product in Switzerland must be able to prove to the authorities that the product meets the fundamental requirements of EU directives and has undergone a suitable conformity assessment procedure in accordance with EU directives.

Medical devices bearing the CE mark from a recognized European test center are also deemed to comply with Swiss law, provided all the product information is provided in three languages (German, French and Italian). A manufacturer in Switzerland may use the CE mark on its medical devices and sell them on the Swiss market or export them to the EU, EFTA or Turkey. Some of these states also demand the registration of certain medical devices and their manufacturers with national authorities, in addition to the CE marking. Some non-EU states demand export certificates from the country of origin for medical devices. Swiss companies can order these certificates from Swissmedic.

www.swissmedic.ch > Medical devices > Guide to the regulation of medical devices

Guide to the regulation of medical devices

3.6 LAND USE PLANNING AND ENVIRONMENTAL PROTECTION

3.6.1 Building and Zoning

Thanks to progressive legislation on land use planning and environmental protection as well as densely populated economic areas can exist in harmony with rural and agricultural land. The high population density has always promoted both environmental awareness and building development. Populated areas account for only 7.5% of Switzerland's total space. In the Central Plateau, their share is over twice that of the national average at 16.0%, while it is considerably less in the Alpine regions. Service and industrial buildings are erected in special zones. Building and zoning regulations are governed by cantonal law, and a building permit must be obtained. The duration and scope of this process depend on the type of investment being planned. In the interests of occupational safety, industrial buildings, for example, require both planning consent and an operating license.

For straightforward building projects, such as commercial/industrial projects with no particular level of difficulty or requirement for supplementary investigations or special approvals, the process usually takes a few months. This assumes that there are no grounds for appeal or protests. The process may vary from canton to canton.

The cantonal economic development agencies (see Section 15.2) provide information on commercial land development and available commercial buildings, as well as on the necessary administrative steps. They can also initiate and, where necessary, coordinate these steps.

Special regulations apply with respect to the acquisition of property by persons abroad, in accordance with the Act on the Acquisition of Real Estate by Persons Abroad ("Lex Koller"). This requires approval from the relevant cantonal authorities for the acquisition of property subject to approval.

Through their adoption of the second-home initiative in 2012, Swiss voters pronounced themselves in favor of restrictions on the building of second homes. In concrete terms, this means that the share of second homes is limited to 20% per municipality. The Federal Act on Second Homes (SHA) implements the constitutional article and has been in force since January 1, 2016.

www.are.admin.ch
Federal Office for Spatial Development (ARE)

3.6.2 Environment

Swiss environmental legislation largely conforms to EU rules. Environmental law and the protective measures are based on the principle of cooperation. In cooperation with the business community, solutions are developed to meet both economic and environmental considerations. The measures initiated are seen as exemplary around the world. When erecting and operating industrial and commercial sites, there are a variety of federal and cantonal decrees to consider. The federal laws on environmental protection as well as water pollution, and natural and cultural heritage are especially important. The Federal Environmental Protection Act sets out regulations on air and soil contamination, noise, non-ionizing radiation, waste, and environmentally harmful substances. Based on the principles of "precaution" and "polluter pays," this act requires environmental damage to be kept to a minimum and the costs of preventing damage to be borne by the polluter. Emissions are limited by means of thresholds and regulations on building, equipment, transport, and operations, although the technology to be employed is not prescribed. Companies are granted a specific period of time to undertake remedial action, thereby allowing them to determine how and when they make the necessary investments.

Environmental impact assessments (EIA) are conducted for projects involving the planning, erection, or modification of installations that could have a serious impact on the environment. Although these assessments are a tool for protecting the environment, they only apply to specific projects as part of the regular building and planning consent process. Projects that require an environmental impact test are listed in the relevant ordinances. Such projects include transport systems, power generating plants, and high-polluting industrial plants.

www.bafu.admin.ch
Federal Office for the Environment (FOEN)

www.bafu.admin.ch/uvp
Environmental Impact Assessment (EIA)