

Department of Economy

Trade and investment policy

Bilateral relations Switzerland / EU

Current status	<p>The European Union (EU) is by far Switzerland's most important trading partner. At the same time, Switzerland is one of the biggest export and import markets for the EU. 70% of Swiss imports come from the EU and 52% of Swiss exports go to the EU. SwissHoldings member companies are also strongly interconnected with the EU. At the end of 2018, member companies' direct investments in the EU amounted to CHF 541 billion. This represents 36% of all direct investments abroad by SwissHoldings member companies.</p> <p>Accordingly, the relationship between Switzerland and the EU is important for the Swiss economy. Switzerland is pursuing a bilateral approach. Starting with the free trade agreement concluded in 1972, Switzerland has established a dense and constantly evolving network of agreements with the EU. Particularly significant are the Bilateral agreements I and II, which grant the contracting parties' non-discriminatory access to each other's markets and establish close cooperation in various areas between Switzerland and the EU. This bilateral approach has brought numerous advantages to our country. However, the EU has made further developments of the network of agreements conditional on clarification of the institutional framework. To this end, the two parties have negotiated an institutional agreement. The Federal Council held a broad consultation on the text of the agreement in 2019.</p>
Outlook	<p>The Federal Council considers the draft text to be in Switzerland's interest in principle. At the same time, the Federal Council opines that the institutional agreement in its current form would not gain majority support in domestic politics. It is therefore demanding clarification from the EU Commission in three areas which it considers critical: EU Citizenship Directive (UBRL), state aid and wage protection. In November 2020, the Federal Council defined its position and initiated contact with the EU.</p> <p>For the member companies of SwissHoldings, access to the EU internal market is of central importance. Accordingly, the proven bilateral approach must be continued and placed on a solid long-term basis.</p>



Abolition of industrial tariffs

<p>Current status</p>	<p>The present revision of the Customs Tariff Act is intended to set customs duties on industrial products at zero. For the purposes of this proposal, the term “industrial products” covers all goods with the exception of agricultural products (including animal feed) and fishery products. In addition to abolishing customs duties, the bill also aims to simplify the tariff structure for industrial products. The planned simplification of the customs tariff structure will reduce the number of tariff headings in the industrial sector from the current 6172 to 4592. The proposal is part of the package of "import facilitation" measures, in the fight against Switzerland as a high-price island.</p> <p>On 27 November 2019, the Federal Council approved the dispatch on the Customs Tariff Act for the attention of parliament. The National Council, as the first chamber of parliament, rejected the bill by 108 votes to 83 in the 2020 summer session. In the autumn session, the Council of States approved the bill by 29 votes to 14. The WAK-S followed the draft of the Federal Council in its detailed consultation. The Council of States followed on 2 December in the overall vote with 28 to 14 votes with one abstention the Committee’s decision. Due to the different positions of the two councils, the WAK-N demands further clarifications from the administration, including questions about the partial abolition of industrial tariffs and border adjustment systems.</p>
<p>Outlook</p>	<p>Swiss customs duties have grown historically and were introduced in order to protect industry. Today, the Swiss industry no longer needs these protective tariffs. Rather, local companies are dependent on being able to import on good terms. With an average tariff rate of 1.8%, the majority of the tariffs can be considered a “nuisance tariff” in accordance with the 3% limit used during the Uruguay Round of the WTO. For many of the tariff headings, tariffs are too low to have a protective effect and the administrative costs often exceed the revenue.</p> <p>The historically developed tariff structure for industrial tariffs is also extremely complex. It comprises 6172 tariff numbers. This makes companies’ customs declarations very costly and time-consuming. Simplification can hardly be achieved without abolishing industrial tariffs, as new tariffs would have to be established for all merged tariff headings and, if necessary, negotiated with the WTO.</p> <p>SwissHoldings welcomes import facilitation and the further opening of the Swiss market, because the member companies of SwissHoldings are strongly intertwined with the global value chains and depend on imports from abroad. A liberal trade policy with the greatest possible renunciation of restrictions on the free movement of goods is essential for the prosperity of our economy. Our association will closely monitor the bill in the further parliamentary process.</p>



Free trade agreements

<p>Current status</p>	<p>The Swiss economy has a strong global orientation and is therefore dependent on international trade and international investment activities. The constant improvement of access to foreign markets has therefore been and still is a focus of Swiss foreign policy. This is achieved, among other things, by free trade agreements with third countries. Switzerland has a network of 31 free trade agreements with 41 partners worldwide and is currently negotiating 7 free trade agreements, namely with Chile, India, Malaysia, Mercosur, Mexico, SACU, and Vietnam. In addition, Parliament approved the Free Trade Agreement with Indonesia in December 2019.</p> <p>In recent years, the criticism over globalization has become louder and free trade agreements are increasingly criticized. In particular, concerns relating to sustainable development goals (SDGs) and climate targets have further fueled protectionist tendencies. In light of these developments, discussions about the sustainability of free trade agreements have increased.</p> <p>As a part of this discussion, a referendum was initiated against the Free Trade Agreement with Indonesia. This could be achieved by 1 July 2020. The vote on the agreement will take place on 7 March 2021. The latest Vox poll shows a narrow Yes trend. 52 percent of those willing to participate in the vote would definitely vote yes or are likely vote yes in favor of the agreement. The survey also shows that many people have not yet finished forming their opinions. Seven percent of voters with a firm intention to participate in the vote are still undecided.</p>
<p>Outlook</p>	<p>The expansion of the free trade network is important for the export-oriented Swiss economy and the member companies of SwissHoldings. Free trade agreements provide privileged access to important markets and lead to more growth and prosperity in Switzerland. They also ensure that Swiss companies are not at a competitive disadvantage compared to companies in other countries. SwissHoldings thus supports the Federal Council's strategy of expanding and modernizing the network of free trade agreements and particularly welcomes the conclusion of the agreement with Indonesia. The referendum on this agreement is also groundbreaking as it is to be expected that future agreements, for example with Mercosur or Malaysia, could also lead to a referendum.</p> <p>Of course, SwissHoldings recognizes the importance of the sustainability aspects when negotiating free trade agreements. The chapter on "Sustainability and Trade" in the agreements provides a solid foundation for the promotion of sustainable development. More generally, it should not be neglected that intensified trade relations are themselves an important factor in promoting sustainable development. In addition to significant economic aspects, the improvement of the labor market and the associated social progress as well as the transfer of knowledge and technology play an important role. SwissHoldings will continue to support the important expansion of the Swiss network of free trade agreements.</p>



Investment Control

<p>Current status</p>	<p>In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat.</p> <p>The Federal Council has already dealt with this question in detail in the "Cross-border investments and investment controls" report. The body opines that the introduction of an official control of direct investments at the present time would not bring any added value. Regardless of this position, both chambers of parliament voted in favour of the Motion Rieder. The motion instructs the Federal Council to draft a bill for introducing a screening mechanism for foreign direct investments in Swiss companies - among other things by appointing a licensing authority for the transactions subject to investment control. The focus is particularly on acquisitions and investments by companies from the dynamically growing emerging countries in infrastructures such as energy, transport, telecommunications, data storage, and financial infrastructure.</p> <p>The federal administration started working on the implementation of the motion. A consultation is expected in the second half of 2021.</p>
<p>Outlook</p>	<p>Switzerland is one of the largest direct investors in the world. Swiss companies had a capital stock of Fr. 1,445 billion abroad in 2019. The counterpart to this is the stock of Fr. 1,370 billion of foreign direct investment in Switzerland. The member companies of SwissHoldings are the largest direct investors in Switzerland. It is therefore a central concern of SwissHoldings that investment activity is maintained, and that Switzerland is not weakened as an investment location. This is all the more important as Covid-19 is likely to have triggered a sharp drop in the influx of foreign direct investment last year, according to initial estimates. At the same time, competition for foreign investment is intensifying. Switzerland is dependent on foreign investment for its growth and prosperity.</p> <p>A "tailor-made solution", as promised by the proponents of the bill during the Council debate, will probably prove difficult to put in practice. The basic principle is that investment controls should be targeted (i.e. focused on clearly defined objectives), efficient in implementation and administratively lean. An unnecessary administrative burden on companies should be avoided. Investors should also be granted the highest possible level of transparency and legal certainty.</p> <p>SwissHoldings will actively accompany the elaboration of the concrete draft law. Confidence in Switzerland as an open - but already not barrier-free investment location and in its liberal economic policy must be maintained.</p>

Corporate social responsibility

Corporate Responsibility Initiative

<p>Current status</p>	<p>The popular initiative was put to the vote on November 29, 2020. Economiesuisse was in the lead of the business campaign. SwissHoldings took accompanying measures to support the campaign. The initiative achieved a very narrow popular majority (50.7% of votes in favor) - but the bill was rejected thanks to having clearly missed the majority of Cantons (Cantonal vote results: 14.5 NO, 8.5 YES) with an average turnout of 46%.</p> <p>This paved the way for the indirect counterproposal to come into force - should the referendum not be called within 100 days after publication in the Federal Gazette. As a next step, the Federal Council will open a consultation procedure for the ordinance, which will specify the outstanding points of the counterproposal.</p>
<p>Outlook</p>	<p>From SwissHoldings' perspective, the objective remains unchanged. Namely, to ensure a targeted and internationally coordinated regulation regarding "Corporate Social Responsibility" for Switzerland. The entering into force of the counterproposal represents an important step in this direction. The Association will closely monitor the drafting of the regulation implementing the counterproposal.</p>

Sustainable Development Strategy 2030 / CSR Action Plans by the Federal Council

<p>Current status</p>	<p>With its "Sustainable Development 2030" strategy, the Federal Council shows how it intends to implement the 2030 Agenda for Sustainable Development over the next ten years. The strategy is now designed for ten years instead of the previous four. In doing so, the Federal Council anchors sustainable development as an important requirement for all policy areas of the Confederation. For the objectives and strategic directions for federal policy, the Federal Council has defined three priority themes: sustainable consumption and production, climate, energy, biodiversity, and equal opportunities. The strategy also sets out how the economy, the financial market, and the area of education, research, and innovation can drive sustainable development forward and what framework conditions are necessary to achieve this.</p> <p>At its meeting on November 4, 2020, the Federal Council opened a consultation on its strategy. The consultation lasted until February 18, 2021. SwissHoldings submitted a statement as part of this consultation.</p> <p>SwissHoldings also advocates for appropriate regulation in the area of corporate social responsibility. With its focus on international standards and best practices, the Federal Council's National Action Plan "Business and Human Rights" (NAP) and SECO's "CSR Position Paper" point in the right direction. On the important issue of corporate social responsibility, only an internationally coordinated approach can achieve the desired results.</p> <p>On 15 January 2020, the Federal Council approved the revised Action Plans 2020 - 2023 on corporate social responsibility and business and human rights. As early as December, the body announced the content and thrust of the</p>
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	<p>revision of the NAP. The Federal Council is building on the results achieved so far and will continue to support the companies with effective measures. This particularly includes the creation of support measures for the implementation of human rights due diligence (tools, guidelines, etc.) and cooperation with multi-stakeholder initiatives that can support SMEs in particular.</p> <p>The Federal Council has also revised its position paper and action plan on corporate social and environmental responsibility. From a new strategic perspective, the directions have been adapted towards a strengthened stakeholder dialogue and a focus on reviewing the implementation of CSR instruments and digitalization.</p>
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Accounting and reporting

IFRS Standards

<p>Current status</p>	<p>In the area of IFRS standards, the IASB did not adopt any new standards in the last quarter. Instead, the organization published numerous draft amendments for consultation. In addition to minor adjustments to standards, the draft with the proposed changes to the presentation and structure of financial statements should be highlighted in this context. For a long time, the IASB has been endeavouring to fundamentally reorganise the presentation of the main components of IFRS annual financial statements (balance sheet, income statement, and cash flow statement). Further proposals for revision concern the area of "Goodwill and Impairment". It is being examined if there are alternatives to the existing impairment model and whether the disclosures in the notes should be expanded. With regard to "Rate Regulated Activities", a new model is being developed, which should provide more detailed information on the practice determining a company's rate regulation. Last but not least, the two standards "Business Models under Common Control" and "Management Commentary" are also under discussion.</p> <p>Furthermore, the IFRS Foundation has published a consultation paper to consider whether the IASB should play a more active role in the development of global sustainability standards in the future. Particularly, the creation of a separate Sustainability Standards Board (SSB) is being discussed in this context.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to actively follow the IFRS accounting developments. Our association continuously participates in the IASB consultations on draft standards. A comment letter on "Sustainability Reporting" was submitted at the end of December.</p>

Developments on EU level

<p>Current status</p>	<p>At EU level, the issue of sustainability is at the centre of public debate. As part of this debate, the European Commission has launched various initiatives.</p> <p>This includes the review of the non-financial reporting directive, on which the European Commission had held a public consultation in spring 2020.</p> <p>The focus is on whether an audit requirement should be introduced, whether the existing scope for selecting ESG aspects should be retained, to what extent a more detailed examination of climate and environment related factors should be required in future and whether the scope of the legislation should be enlarged to additional enterprises.</p> <p>Mandatory standards for non-financial reporting are a likely outcome of this review. A legislative proposal is expected by beginning of 2021.</p> <p>Additionally, the European Commission is currently looking into possible regulation in the area of sustainable corporate governance. It opened a consultation at the end of October 2020. A draft regulation is expected in the course of 2021.</p>
<p>Outlook</p>	<p>SwissHoldings will continue to follow this issue in particular through its participation in the relevant working group at BusinessEurope.</p>

Capital Markets

Economic Policy in the Corona Crisis: Assessments by SwissHoldings

<p>Current status</p>	<p>Tackling the coronavirus pandemic is having a huge impact on the economy. Combating the first wave has already posed enormous challenges for the economy. Current estimates suggest that GDP in Switzerland has fallen by 3.3 percentage points in 2020. This would be the sharpest decline since 1975, and without the broad-based support provided by the federal government and the cantons, the slump would have been even more severe.</p> <p>The second wave hit the economy hard in the winter half-year 2020/2021. A second lockdown was imposed from mid-January until at least the end of February. The State Secretariat for Economic Affairs (Seco) revised its forecasts for 2021 downwards in December. Due to the additional measures, the forecasts for 2021 are expected to further deteriorate.</p>
<p>Outlook</p>	<p>SwissHoldings closely observes current developments and is in close contact with its member companies as well as with representatives of parliament, the federal administration and other public institutions.</p>

Sustainable Finance

<p>Current status</p>	<p>The topic of "sustainable finance" gained importance alongside sustainable corporate management. Especially in the discourse surrounding the Paris Agreement, it became clear that private investors have an important role to play in stopping climate change. According to these considerations, the participation of private investors should ensure that market mechanisms support the most promising sustainable investments and thus allocate resources most effectively.</p> <p>In reality, sustainable financing has long reached the financial markets. The number of sustainable financial products has increased massively in recent years. A study by Swiss Sustainable Finance has shown that at the end of 2019, CHF 1'163 billion was invested in sustainable financial products - an increase of 62% compared with 2018.</p> <p>The issue has also reached the political level. In June 2019, the Federal Council set up an internal working group under the leadership of the State Secretariat for Financial Affairs on the topic of sustainable finance. On 24th of June 2020, The Federal Council has agreed on a report and guidelines on sustainability in the financial sector. The declared goal is to foster competitiveness of the Swiss financial market and contribute to sustainability. The report defines following focus areas: the systematic disclosure of relevant and comparable climate and environmental information of financial products, increasing legal certainty regarding fiduciary obligations respectively regarding the consideration of climate and environmental risks and effects, strengthening the awareness for climate and environmental risks and effects on issues relating to financial market stability and the observation of developments on international and particularly on EU level. The federal government wants to tackle these issues in collaboration with industry and additional interest groups.</p> <p>Various parliamentary initiatives have also been brought forward on the subject. These come from all parties except the SVP. While the FDP is committed to strengthening the Swiss financial center in the area of sustainable finance, the center-left parties are focusing more on the aspects of climate protection and how the sector can be regulated to promote sustainable investments.</p> <p>Sustainable finance is high on the agenda at EU level. The European Commission has presented an action plan for financing sustainable growth, which has already resulted in several legislative proposals, including the taxonomy. A delegated act to further specify the taxonomy is expected to be adopted by June 2021. In addition, the update of the Sustainable Finance Strategy and the regulation on non-financial reporting are currently under consideration. The European Commission is expected to present a draft in early 2021. At the international level, a number of organizations have also emerged to promote the development and standardization of the field.</p> <p>Developments in the area of sustainable financing also affect companies outside the financial sector. It is becoming increasingly important to demonstrate to investors that sustainability criteria are being met. If this cannot be achieved satisfactorily, there is a long-term risk of high capital costs.</p>
<p>Outlook</p>	<p>SwissHoldings welcomes the new role assigned to the economy in the area of climate protection and sustainable development. Markets distribute resources effectively so that the marginal benefit for ESG factors can be maximized.</p>

	The association will follow the current developments in this area and accompany corresponding regulatory initiatives.
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Monetary Policy SNB

<p>Current status</p>	<p>In these extraordinary times due to the "COVID 19" challenges, the Swiss National Bank (SNB) is increasingly coming into focus. At parliamentary level, various proposals were discussed with the aim of tying SNB distributions to certain purposes. In particular, the motion by National Councilor Alfred Heer aiming to allocate the income from negative interest rates directly to the AHV. The key to the distribution of profits - two-thirds for the cantons and one-third for the Confederation - is to be retained accordingly, but the negative interest is to be redistributed over the years from the Confederation's share at the expense of the AHV. This would reduce the federal share by the amount of the negative interest charged. Another motion by the WAK-N demands that the federal share of future SNB distributions be used directly to reduce the resulting Covid-19 debt. Both motions were accepted by the National Council. However, they still have to clear the hurdle in the Council of States.</p>
<p>Outlook</p>	<p>SwissHoldings will closely monitor ongoing developments. From the association's point of view, the National Bank's distribution practice to date has proven its worth. The organization is critical of any "politicization" or further earmarking of SNB profits.</p>