

Department of Economy

Trade and investment policy

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 as of 1 January 2022. 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 Commission’s decision. The proposal now goes back to the National Council.</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 as</p>



	a whole. Our association will closely monitor the bill in the further parliamentary process.
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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. Switzerland 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 aimed for 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.</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.</p> <p>Of course, SwissHoldings recognizes that sustainability aspects must be taken into account when considering 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

Current status

In Switzerland, it is being discussed whether foreign direct investments in Swiss companies pose a threat.

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 investment control of 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. A "tailor-made solution", as promised by the proponents of the bill during the Council debate, will probably be difficult to find in practice.

A further motion ([20.3461](#)) of the UREK-NR instructs the Federal Council to draw up a legal basis for investment control in critical infrastructure, provided that foreign direct investments in Swiss companies lead to de facto control of the company. It will be dealt with in the National Council as first chamber in winter 2020.

Switzerland is one of the largest direct investors in the world. In 2018, Swiss companies held CHF 1,466 billion in foreign capital. The counterpart is the stock of CHF 1,296 billion of foreign direct investment in Switzerland. Additionally, complex questions arise regarding the concrete technical implementation: According to what criteria should the authority decide whether a foreign investment is "in Switzerland's interest"? Furthermore, it will be challenging to clearly distinguish the "strategically important sectors" from other economic sectors.

SwissHoldings will closely monitor the preparation of the concrete draft legislation. Confidence in Switzerland as an open - but already not barrier-free - investment location and in liberal economic policy must be maintained

Corporate social responsibility

Corporate Responsibility Initiative

<p>Current status</p>	<p>This popular initiative has been in discussion in parliament since fall 2017. In this year's summer session, the difference adjustment has been completed. Following the Federal Council and the Council of States, the National Council also recommended that the extreme corporate responsibility initiative be rejected. In addition, Parliament approved an indirect counterproposal in the final vote. The counterproposal creates stricter requirements for companies to respect human rights and the environmental standards within the supply chain but protects companies from abusive and extortionate claims. The business associations support this compromise because it relies on internationally proven solutions and does not lead to a Switzerland solo effort.</p> <p>The popular initiative was put to the vote on November 29, 2020. The lead of the business campaign was held by economiesuisse. 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 paves the way for the indirect counterproposal to come into force - should the referendum not be called within the next 100 days. 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>SwissHoldings is relieved to note the rejection of the initiative.</p> <p>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>

CSR Action Plans by the Federal Council

<p>Current status</p>	<p>SwissHoldings is committed to 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 committee announced the content and thrust of the 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</p>
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	<p><u>corporate social and environmental responsibility</u>. From a new strategic perspective, the directions have been adapted in such a way that stakeholder dialogue is strengthened and the focus has shifted towards reviewing the implementation of CSR instruments and digitalization.</p> <p>From the perspective of SwissHoldings, these action plans of The Federal Council are also of great importance.</p>
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Accounting and reporting

Challenges relating to COVID-19

<p>Current status</p>	<p>The outbreak of "COVID-19" at the beginning of 2020 has significant economic consequences. It is no longer only the companies that maintain significant business relationships abroad who have been affected. For many companies, the question arises as to whether and in what form the effects of COVID-19 should be taken into account in their financial statements. Particular attention should be paid to the standards "Financial Instruments, IFRS 9", "Leases, IFRS 16". "Asset Impairment, IAS 36" as well as the other topics "Government grants and assistance, IAS 20" such as "Provisions related to COVID-19, IAS 37".</p>
<p>Outlook</p>	<p>SwissHoldings fostered exchange on these issues among member companies and will follow further discussions.</p>

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 committee 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</p>



	<p>draft standards. For example, a comment letter on "General Presentation and Disclosures" was submitted at the end of September, an information event took place on November 3, at which representatives of SwissHoldings discussed the "Goodwill and Impairment" project with representatives of the IASB addition and an exchange on Sustainable Reporting /Sustainable Finance is planned.</p>
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Developments on EU level

<p>Current status</p>	<p>At the 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. This includes the possible review of the non-financial reporting directive, on which the European Commission launched 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 on this at the end of October 2020.</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>The fight against the coronavirus pandemic has considerable impacts on the economy. The fight against the first wave has already presented the economy with enormous challenges. Initial estimates suggest that the GDP in Switzerland has fallen by 3.8 percentage points in the current year. Without the broad-based support services provided by the federal government and the cantons, the slump would have been much more severe.</p> <p>The second wave in October and November hit Switzerland hard. However, a second lockdown has so far been avoided. Figures from the State Secretariat for Economic Affairs (Seco) suggest that there has been no decline in economic activity despite more strict measures.</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>

In addition, the association has taken a stand on the COVID-19 Solidarity Guarantee Act in July 2020 (<https://swissholdings.ch/stellungnahme-von-swissholdings-zum-covid-19-solidarbuergschaftsgesetz/>)

Sustainable Finance

Current status

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 must play an important role 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.

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 2018, CHF 717 billion was invested in sustainable financial products - an increase of 83% compared with 2017.

The issue has also reached the political level. As early as 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. Based on the report, focus areas are: 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.

Various parliamentary initiatives have also been taken on the subject. These come from all parties except the SVP. While the FDP is increasingly 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.

Sustainable Finance is also 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 initiatives, including the Taxonomy. In addition, an update of the Sustainable Finance Strategy and of the regulation on non-financial reporting is currently being considered. At international level, a large number of organizations have emerged to promote the development and standardization of the field.

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 satisfaction cannot be achieved, there is a long-term risk of high capital costs.
Outlook	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. The association will follow the current developments in this area and accompany corresponding regulatory initiatives.

Monetary Policy SNB

Current status	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 this 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.
Outlook	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.