

SWITZERLAND

In 1997, the U.S. trade deficit with Switzerland was \$85 million, a shift of \$663 million from a \$578 million surplus in 1996. U.S. merchandise exports decreased by 1 percent to \$8.3 billion. Switzerland was the United States' nineteenth largest export market in 1997. Imports from Switzerland were \$8.4 billion in 1997, an increase of \$599 million (7.7 percent) from the level of imports in 1996.

The stock of U.S. foreign direct investment (FDI) in Switzerland in 1996 was more than \$35.7 billion, an increase of 7.2 percent from the level of U.S. FDI in 1995. U.S. FDI in Switzerland is concentrated largely in the financial, wholesale, and manufacturing sectors.

Since the rejection of the European Economic Area (EEA) Treaty by the Swiss electorate at the end of 1992, the Swiss government has sought to reduce potential discrimination against Swiss products by EU countries through bilateral sectoral negotiations with the EU. The negotiations encompass seven sectors: road transport and civil aviation, freedom of movement for persons, research, public procurement markets, agriculture and dismantling technical barriers to trade. The negotiations have been stalled on the issue of land transport, specifically, over the fee that Switzerland will charge EU trucks to transit the country. These negotiations are continuing in 1998, and there are signs that an agreement will be reached. Any eventual deal with the EU could cause collateral damage to U.S. interests in some of the areas under negotiation. This phenomenon has already been seen in cases where Switzerland has adopted EU standards and regulations.

IMPORT POLICIES

According to the Organization for Economic Cooperation and Development (OECD), Swiss farmers are one of the most highly protected producer groups in the world. Switzerland is self-sufficient in pork, dairy and other agricultural commodities, but imports approximately \$6 billion in agricultural products annually, accounting for over 40 percent of total food consumption. The U.S. share of the agricultural import market is 5.3 percent, which makes the U.S. the sixth most important exporter of agricultural goods to Switzerland and the largest outside the EU.

Switzerland is a relatively difficult market for many U.S. products to enter because of the high tariffs on agricultural products and preferential tariff rates for other countries, such as members of the European Union. It is not clear if these special tariff rates fully conform to World Trade Organization (WTO) rules, since numerous agricultural products are excluded from the arrangements. It is particularly difficult to export prepackaged food products because of the Swiss customs practice of charging tariffs on the gross weight of imports (including packaging).

Administration of agricultural tariff-rate quotas has also presented problems for U.S. exports because Swiss regulations often allocate the quotas to importers that purchase domestic products. This requirement has increased the level of protection for domestic producers and in some cases, such as potato products, has meant that it was not possible for U.S. exporters to ship under the tariff-rate quotas.

Switzerland

Switzerland is one of the signatories of the Information Technology Agreement of 1997, which eliminates tariffs on over \$500 billion worth of world trade in computers, telecommunications equipment, semiconductors, and other information technology products. Switzerland will eliminate tariffs on all ITA products by the year 2000.

Standards and Product Labeling

Swiss technical standards and testing requirements for such key products as automobiles have long been an expensive and difficult hurdle for foreign suppliers. In 1995, Switzerland adopted automobile standards modeled after those of the EU. As a result, cars made in the EU can now enter the Swiss market without additional testing. This development threatened to put U.S. manufacturers at a competitive disadvantage. As a result of action by the United States, Switzerland agreed that U.S.-made cars imported directly by individuals can be registered with only minimal modification and testing. However, the United States is still seeking complete parity with the favorable access now enjoyed by EU models and is encouraging the Swiss government to recognize U.S. auto standards and test results.

Genetically engineered food products from the U.S., such as genetically modified corn and soybeans, are subject to a relatively slow approval process and face strong opposition from Swiss consumer groups and retail organizations. Approval has generally been slower than in the United States and European Union, which has led to situations in which products approved elsewhere were banned in Switzerland. A shipment of soybean meal was seized in December 1996 because it contained genetically engineered soybeans and was only released after Swiss officials approved the soybean. More recently, the slow approval of genetically engineered corn from the U.S. has raised significant uncertainty about importing U.S. products containing corn or corn by-products, although the situation has improved with the approval of Novartis Bt corn in January 1998. Once approved, genetically engineered food products are subject to strict labeling requirements.

Swiss implementation regulations for many agricultural products is leading to some of the same problems in Switzerland that U.S. exports face the EU. Certification of pet food continues to be a problem for U.S. exports. Although the problem for pet food containing poultry was resolved in 1997, the problem with pet food containing beef continues.

LACK OF INTELLECTUAL PROPERTY PROTECTION

Switzerland has one of the strongest regimes in the world for the protection of intellectual property rights and has shown a willingness to enforce its laws effectively. A 1993 copyright law stiffened penalties for the illegal copying and distribution of video cassettes. While some illegal importation and copying may still occur, video piracy appears to have been driven entirely underground and does not have a significant market impact. Software piracy was a problem in the early 1990s, but a large and well publicized corporate raid in 1993 appeared to have made a significant dent in corporate copying. A public information campaign waged over the last year by the Business Software Alliance (software trade association) and aimed at small and medium-sized businesses appears also to have reduced the problem. Industry sources estimated lost sales due to software piracy at \$121 million in 1996.

SERVICES BARRIERS

Switzerland

U.S. airlines are prohibited from providing ground handling services to third-country airlines at Zurich airport. The United States is pressing the Swiss authorities to eliminate this barrier.

Telecommunications and information services have been dominated by the Swiss Post, Telephone, and Telegram Administration's statutory monopoly over most of the telecommunications market. In 1996, parliament approved a reform package which is similar to current European Union initiatives. The new legislation ends much of the PTT monopoly. We hope that the new communication commission implements the new legislation in a way that gives private firms equal access and opportunity in the Swiss telecom market. In the WTO negotiations on basic telecommunications services, Switzerland made commitments on all basic telecom services, subject to legislative approval. It also adopted the reference paper on regulatory commitments associated with the WTO Agreement.

ANTICOMPETITIVE PRACTICES

There has been a very high degree of cartellization in the Swiss economy. A new law came into force on July 1, 1996, which deals much more harshly with cartels and similar associations than did the previous law. While cartels will still be permitted under certain limited circumstances (as they are in many countries), it should now be much more difficult for companies to justify to the authorities their continuation. The newly established competition commission has thus far only handed down a few decisions so it is too early to judge how quickly or extensively the cartel situation in Switzerland will change. The existence of cartels likely does hinder some U.S. exports to Switzerland.