

Foreign Economic Policy Report 2013

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Swiss commercial diplomacy and its future in a changing world

The Swiss economy is heavily dependent on external trade. Almost one in every two francs is earned abroad. Moreover, salaries in the export industry are higher than the national average; this sector of the economy therefore makes a substantial contribution to the general prosperity. As the export sector is directly exposed to competition on the world market, it is an important driver of innovation in our country and enables Switzerland to occupy a leading international position in this sector. This is the reason why the Federal Council attaches great importance to Swiss foreign economic policy.

Swiss commercial diplomacy is an area of activity for the Confederation which serves the country's economic interests. It can be defined as the totality of inter-governmental activities which serve the interests of a participant or sector of its economy. It is part of the more broadly based economic diplomacy which is in turn an instrument of foreign economic policy, including further areas of activity such as the negotiation of trade agreements, policy statements in multilateral economic forums and economic development cooperation.

The idea of commercial diplomacy characterised by state intervention in the economic sector is a priori somewhat alien to Swiss tradition because the responsibility of the economic players is a basic principle of Swiss economic policy. However, the special risks which are inherent in activities abroad, such as the lack of transparency in the framework conditions prevailing on various foreign markets and the global rise in protectionist trends are forcing Switzerland to adopt a pragmatic approach which enables state and private players to adapt to a world of change. Depending on the situation, the Confederation supports participants in the Swiss economy when they experience difficulties in other countries. The feature chapter also throws light on the difficulties with which Swiss enterprises may find themselves confronted abroad. The instruments which the Confederation uses for its commercial diplomacy are then presented. The Federal Council is convinced that the pursuit of an effective commercial diplomacy in the service of the Swiss economy is reasonable. This presupposes that commercial diplomacy has access to suitable instruments which are equal to the demands of international competition and the challenges of globalisation. Finally, in future, Swiss commercial diplomacy can be expected to increasingly generate added value in the emerging countries outside Europe. Resources should be allocated accordingly.

1.1 Background

In a rapidly changing world in which some of our partner countries have taken a protectionist approach because of the economic crisis, the Federal Council is having to review its commercial diplomacy and set priorities for its future action. This feature chapter is dedicated to this topic.¹

1.1.1 The history of commercial diplomacy

Following the end of the Cold War, the Western world was typified by a free trade philosophy and by liberalism which implied limited state intervention in the economy. The instruments for opening up markets in the post-war years were the Bretton Woods Institutions, the GATT² and regional economic agreements. This institutional architecture directed towards the progressive liberalisation of international trade, together with key technological advances and the end to the East-West conflict, led to the rapid globalisation of the economy, which has been observed for more than 30 years now.

However, in the past few years, especially against the background of the latest economic crises, growing protectionist trends can be seen in a number of countries. Some governments have no hesitation in taking more and more measures which distort trade. This trend is reinforced by the fact that the liberal model is increasingly being called into question. Its development concept is based on the combination of a political system based on democracy and an economic system founded on competition. In some regions of the world, an alternative exists in which an authoritarian political regime is combined with elements of state capitalism.

As a landlocked country situated in the heart of Europe and with few raw material resources, but one where major trading routes of the continent intersect, Switzerland has pursued a free trade policy towards other countries and a liberal policy at home since the onset of industrialisation. As Switzerland has never been a strong centralised State and never became a colonial power, it has not pursued any comprehensive interventionist policy, unlike some of its neighbours. The fact that Switzerland is adopting a restrained industrial policy today is a direct consequence of that tradition.

Against the background of this economic tradition, the idea of commercial diplomacy which intervenes in the economy through state actions is alien to Switzerland because the responsibility of the economic players is an important principle in this country. Economic players are expected to assess the risks of their foreign business activities themselves, defend themselves in foreign courts if difficulties are experienced and bear the consequences of their economic decisions. However, the risks on foreign markets have now sometimes become hard to determine and the lack of familiarity with local rules, the absence of transparency and regulations, the shortcomings of some legal systems and the attitude of authorities may cause difficulties.

So which strategy should Switzerland pursue in this changing world in order to best defend its interests and those of its economic players?

¹ With this feature chapter, the Federal Council gives an indirect response to the Schneider-Schneider postulate (13.3325) of 17 April 2013 on the future of Swiss Commercial Diplomacy.

² *General Agreement on Tariffs and Trade*, SR **0.632.21**

1.1.2

Definitions

Foreign policy, foreign economic policy and commercial diplomacy

Based on Article 54 of the Swiss Federal Constitution, the Federal Council is responsible for foreign policy, including Switzerland's foreign economic policy. With a view to securing the prosperity of the country, foreign economic policy is based on the following three dimensions: 1) improvement in market access abroad and cooperation in the international regulatory framework; 2) domestic market policy in Switzerland and 3) contribution by Switzerland to the economic development of its partner countries and support for the integration of these States into the global economy. These orientations of foreign economic policy were set out in the report on foreign economic policy 2004³ and confirmed in the report on foreign economic policy 2011⁴. The Federal Council wishes to gain further market access for Swiss companies abroad by adopting a three-pronged approach: 1) by strengthening international regulatory provisions for foreign trade, 2) by integrating Switzerland into the key international forums, 3) by instilling a dynamic into the bilateral route with the European Union (EU), Switzerland's main trading partner and 4) by extending the network of bilateral agreements with non-EU Member States (see Sec. 3).

Because Switzerland has an open economy, it is exposed to influences which have their origin abroad, such as the financial and economic crisis, the debt crisis and the steep revaluation of the Swiss franc. Against that background, foreign economic policy must contribute towards the geographical diversification of the export markets in order to increase the resilience of the Swiss economy in the face of external difficulties. Switzerland intends to improve its market access abroad, primarily through the World Trade Organisation (WTO; see Sec. 2.1), by signing free trade agreements (FTA, see Sec. 4.1) and continuing the bilateral route with the EU (see Sec. 3). The Federal Council is convinced that the conclusion of international economic agreements (double taxation, investment protection and FTA) will have a positive impact on trade flows and direct investments. It is focussing in particular on further development of the network of FTAs. The aim here is to enable Swiss economic participants to enjoy as far as possible the same market access in other countries as their main competitors. Moreover, the Federal Council seeks to ensure that market access is as free as possible from barriers and discrimination.

In accordance with its political tradition, Switzerland pursues a foreign policy based on the rule of law. It therefore advocates stronger multilateral treaties. It also encourages the creation of the most comprehensive possible network of economic agreements with its key partners. Multilateral, plurilateral and bilateral agreements enable Swiss commercial diplomacy to work in favour of Swiss companies on the basis of contractually agreed rights and obligations.

As part of its economic development cooperation (see Sec. 6), Switzerland is also committed to improving framework conditions in the developing countries. In this way, it wishes to stimulate growth in those States and enable local economic players to participate in the international exchange of trade which enhance prosperity. By improving framework conditions, compliance with economic, social and ecological standards is also to be encouraged in those countries. That in turn makes it easier for

³ BBI 2005 1089

⁴ BBI 2012 827

the partner countries to export finished products or semi-manufactured goods to the international markets, including Switzerland.

In this general context, Swiss *commercial diplomacy* constitutes a specific area of activity which serves the country's economic interests and differs from general economic diplomacy. Swiss commercial diplomacy is an integral part of the foreign economic policy of the Swiss Confederation. From the *diplomatic* angle, commercial diplomacy is defined by the activities which a particular country pursues with or in another country. From the *trade* angle, it serves the commercial interests of the economic participants in the broadest sense of the term. Commercial diplomacy differs from the policy pursued at international level by Switzerland and from international treaties to which Switzerland is a signatory, in so far as it does not specifically seek to achieve a general improvement in the framework conditions or a strengthening of Switzerland's competitiveness as a place to do business, but instead supports the use of the existing framework. *For the purposes of this feature chapter and without reference to other possible definitions, commercial diplomacy is defined here as the totality of the activities which a State pursues in dealings with another State in order to promote or safeguard the interests of a participant in or a sector of its economy.*

Defensive and offensive commercial diplomacy

Based on this definition, a distinction can be made between *defensive* and *offensive* commercial diplomacy.

The former is typified by the fact that it is essentially reactive: the instruments of commercial diplomacy are deployed in this case when a Swiss economic player contacts the federal authorities and satisfies certain requirements. The aim here is to help Swiss players in the private economy to resolve a specific problem with which they find themselves confronted in the course of their activities abroad. This presupposes that the Swiss economic players consult the federal authorities when they have to contend with a problem which they cannot themselves solve and that the trade associations of the Swiss economy or the Chambers of Commerce efficiently pass on details of the difficulties experienced by our enterprises abroad.

The purpose of *offensive* commercial diplomacy is to actively represent abroad the interests of a Swiss economic player or, more frequently, the interests of a specific sector of the Swiss economy, i.e. without any direct initiative on the part of a particular economic player. These activities may take various forms such as support for a Swiss pavilion at a foreign trade or tourism fair, organising sponsors for advertising space in Swiss pavilions at major international events, promoting contacts between representatives of the Swiss private sector and public or private partners abroad or passing on information and analyses of the public sector to the private sector.

If a commercial diplomacy course of action is decided, various criteria can be used to ensure that it is designed to be as effective as possible – e.g. the size of the enterprise, compliance of corporate policy with social and ecological criteria⁵, the reputa-

⁵ In parallel with the safeguarding of the interests of its enterprises through trade diplomacy, Switzerland advocates social responsibility on the part of international companies in their foreign business activities. For this purpose, it supports and involves them in various initiatives in this sector, such as the OECD principles and the global compact of the United Nations.

tion of the enterprise concerned or the proportionate nature of the planned intervention.

Legal bases

The actions taken by the Confederation in the area of commercial diplomacy are based on provisions embodied in multilateral and bilateral conventions and in domestic law. These provisions define a general framework for commercial diplomacy. Moreover, they stipulate the circumstances and criteria under which participants in the economy may benefit from interventions of commercial diplomacy.

The Vienna Convention on Diplomatic Relations⁶ defines the general framework of the commercial diplomacy. Article 3, paragraph 1, of the Convention States that «*The tasks of a diplomatic mission are inter alia (...) to protect the interests of the home country and its nationals in the host country, (...) to seek information about circumstances and developments in the host country by all lawful means (...), to promote friendly relations between the home country and the host country and to broaden economic relations (...).*» Similarly, Article 5 of the Vienna Convention on Consular Relations⁷ States that: «*The consular tasks are a) to protect the interests of the home country and its citizens, both natural persons and legal entities, in the host country within the limits permitted by international law; (...) e) to render help and assistance to the citizens of the home country, both natural persons and legal entities*».

In domestic law, the framework is defined by the Regulation on the Swiss Diplomatic and Consular Service⁸ and – with the offensive commercial diplomacy in mind – by the Federal Act on the Promotion of Exports⁹. If the Federal Act on Swiss Persons Abroad¹⁰ enters into force, the federal authorities will have a new legal basis to regulate details of consular protection for natural persons and legal entities.¹¹

The beneficiaries

Swiss commercial diplomacy intervenes in favour of Swiss economic players or sectors. In compliance with Article 154 of the Federal Act on International Private Law¹² an enterprise is regarded as «Swiss» if it is organised on the basis of Swiss law. The federal authorities may also use the actual registered office of the company as a criterion for determining the nationality of a legal entity. Additionally, the nationality of the natural persons or legal entities who/which control the enterprise may be taken into account.

By analogy, trade associations may seek the help of Swiss commercial diplomacy if they are registered under Swiss law and represent the interests of Swiss economic players or sectors.

⁶ Vienna Convention on Diplomatic Relations of 18 April 1961 (SR **0.191.01**).

⁷ Vienna Convention on Consular Relations of 24 April 1963 (SR **0.191.02**).

⁸ Regulation of the Swiss diplomatic and consular service of 24 November 1967 (SR **191.1**), in particular Art. 16.

⁹ Federal Export Promotion Act of 6 October 2000 (SR **946.14**), in particular Art. 1 and 2.

¹⁰ Draft text of the Federal Act on Swiss Persons and Institutions Abroad.

¹¹ See Art. 55 and 56 of the draft Federal Act on Swiss Persons and Institutions Abroad.

¹² Federal Act on International Private Law of 18 December 1987 (SR **291**).

The draft Federal Act on Swiss Persons Abroad defines a legal entity as Swiss if it is governed by and organised according to the regulations of Swiss law, and if the centre of its administration is actually situated in Switzerland.

Criteria for consular and diplomatic protection

To be able to benefit from a defensive intervention by Swiss commercial diplomacy, economic players must meet the following criteria: they must be able to prove that their present difficulties have not been caused by their own negligence and that they have done everything possible to surmount these difficulties. The federal authorities are free to decide at their own discretion whether an intervention is appropriate in a given context, having regard to the other objectives of Swiss foreign policy. In other words, individual economic players have no legal entitlement to an intervention of commercial diplomacy.

Within defensive commercial diplomacy a distinction is traditionally made between two types of intervention: consular and diplomatic protection. As a rule, these interventions take place out of court through consular or diplomatic channels. If court proceedings are already under way in the particular case, as a rule no corresponding interventions are undertaken in order to avoid interfering with the work of the judicial authorities.

Consular protection

The Swiss diplomatic and consular representations may support natural persons or legal entities abroad if they are unable to defend their interests either on their own or with the help of third parties, or cannot be reasonably expected to so (subsidiarity principle). As part of its consular protection, Switzerland helps natural persons and legal entities to defend their rights based on the legal system in their country of residence. Switzerland therefore acts *in the name and on behalf* of the aggrieved person or corporation. It may give that person information and advice and possibly intervene with the authorities in the country of residence. Depending on the particular case, the local Swiss representation may typically inform the enterprise of its own assessment of the situation, recommend persons or institutions which may help it to solve the problem, draft letters of support, accompany representatives of the enterprise on visits to the authorities or issue official statements to the local authorities. Consular protection can be described as «helping people to help themselves». It may cover both administrative and political aspects. In practice, most measures taken as part of defensive commercial diplomacy fall under the heading of consular protection.

Diplomatic protection

In the context of diplomatic protection— unlike a situation involving consular protection – Switzerland intervenes on behalf of Swiss natural persons and legal entities if they suffer a grievance because of a breach of international law by the host country. In that case, Switzerland acts in *its own name* because it is itself regarded as the aggrieved party under the terms of international law. Aside from the requirement regarding the nationality of the beneficiary, such intervention is subject to the following conditions: the state of residence must be in breach of a standard under international law, for example failing to comply with an obligation under an international convention or by expropriating property without compensation. In addition,

domestic means of redress in the country of residence must have been exploited to the full. Cases of diplomatic protection are relatively uncommon in practice. Because of the accompanying political implications, it is the responsibility of the Federal Council to take a decision whether or not to grant diplomatic protection. Its scope of discretion is limited solely by the prohibition of arbitrary action.

The idea of commercial diplomacy in which the State intervenes in the economy is a priori alien to Switzerland. In a changing world in which there is evidence of a certain resurgence in protectionism, Switzerland must nevertheless define a strategy to safeguard its interests as a business location as effectively as possible, Swiss commercial diplomacy intervenes in favour of Swiss economic players or sectors on the basis of multilateral, plurilateral and bilateral agreements.

1.2 What are the challenges that commercial diplomacy has to overcome?

The challenges which Swiss commercial diplomacy may potentially have to face are as varied as Switzerland's economic interests abroad. The difficulties with which Swiss companies operating abroad may be confronted can be identified based on a rudimentary and non-exhaustive typology. As this involves widely differing areas, the interventions of commercial diplomacy can be made by different entities of the Federal Administration. These are primarily the Federal Department of Foreign Affairs, the State Secretariat for Economic Affairs, the State Secretariat for International Financial Matters, the Swiss Federal Institute of Intellectual Property, the Swiss Customs Administration and the Federal Office of Civil Aviation.

1.2.1 Non-tariff measures

Early in 2012, a number of Swiss medicinal product manufacturers notified SECO that their export consignments were being held up at the border with a neighbouring country. As a result of new technical regulations the companies were being asked to produce additional certificates of conformity and a registration with the Ministry of Health. As medicinal products are covered under the Convention signed between Switzerland and the EU on the mutual recognition of assessments of conformity of 21 June 1999¹³, the Swiss authorities made representations to the Ministry of Trade of the country concerned. In the autumn of 2012 that country's authorities responsible confirmed that the newly introduced technical regulations did not apply to Swiss exporters, so lifting the barrier to trade.

¹³ SR 0.946.526.81

1.2.2 Failure to comply with judgments and arbitration rulings

With effect from 1998, one country declined to comply with the provisions of a contract with a Swiss enterprise. To enforce its outstanding claim, the enterprise in question originally decided to opt for an amicable settlement and against resort to the courts. The Swiss federal authorities supported the steps taken by the enterprise within the framework of consular protection. For this purpose, the local Swiss Embassy made repeated representations to the foreign authorities and presented several diplomatic notes. Finally, the enterprise initiated arbitration proceedings at the International Centre for Settlement of Investment Disputes under the framework of an investment protection agreement with the country concerned. The arbitration tribunal ruled in favour of the enterprise. The subsequent endeavours of the commercial diplomacy concentrated on the implementation of the arbitration ruling. An amicable settlement was finally reached between the enterprise and the authorities of the country concerned.

1.2.3 Breach of intellectual property rights

The difficulties arising in connection with the registration and enforcement of intellectual property rights often present a big challenge to export-oriented Swiss enterprises. The private sector and trade associations maintain networks to defend their rights in other countries. For instance, the Swiss Watch Industry Federation has built up close cooperation with the authorities responsible for eliminating counterfeit watches in an Asian country. The police and the representatives of Swiss industry now conduct joint on-site searches to identify and impound counterfeit watches. In 2012, more than 800 searches took place and 820,000 counterfeit Swiss watches were seized.

Swiss commercial diplomacy can also utilise official contacts to secure better protection for intellectual property rights from partner countries. For instance, good relations between Switzerland and China have led to close cooperation for the protection of intellectual property in the context of offensive commercial diplomacy; this resulted in the creation of a discussion platform between the relevant Swiss private sector and the Chinese government. This so-called *industry round table* is integrated within the Swiss-Chinese working group on intellectual property. As part of its economic development cooperation, Switzerland promotes the recognition of intellectual property in various partner countries. By doing so, it contributes to the development of a reliable statutory and institutional framework compliant with international standards, which ensures better protection for the economic players in these markets.

1.2.4 Customs procedures

Problems were experienced in one particular country with the application of the FTA in connection with certificates of origin. The customs administration of the country concerned asked for a systematic review of the certificates of origin issued in Switzerland. In certain cases, the local importers of Swiss products were denied the preferential treatment stipulated in the FTA because the customs authorities in

that country doubted the Swiss origin of the products concerned. Moreover, there was a contradiction between Swiss law and the provisions of the FTA in respect of the period for which documents proving origin must be kept on file. Against that background, some local businesses decided against applying the FTA, while others were faced with what were in some cases considerable fines under the administrative measures taken. The Swiss exporters concerned asked the federal authorities to intervene with the authorities of that country. The latter had to be persuaded that free trade partners must show each other a degree of mutual trust with a view to promoting bilateral trade. The parties worked through various channels and at different levels to settle the pending cases and define clearer criteria for the future.

1.2.5 Access to public tendering

The government of one European State enacted a law designed to combat economic crime. It stipulated that companies based in third countries, including Switzerland, must in future seek prior authorisation from the Ministry of Finance of the country in question to be able to take part in public tendering. Before the law entered into force, Switzerland utilised its commercial diplomacy to make representations to the ministry responsible. It called attention to the fact that the law was in breach of international obligations which the country had entered into at the WTO and EU levels. At the same time, Switzerland made representations to the European Commission and called the attention of the Government of the country concerned to the existence of discrimination whenever the opportunity arose. In response to repeated complaints by Switzerland, the European Commission initiated breach of treaty proceedings against the Member State. A few months later, the ministry of that country issued a decree removing Switzerland from the list of countries covered by the law in question.

1.2.6 Pricing policy

The government of an important trading partner issued a decree defining new reference prices for some healthcare products. This measure does not constitute discrimination against Switzerland as such because all economic players in the healthcare sector are affected by the reduction in the reference prices. However, it not only poses a risk of trade with the country concerned but also of jobs being lost in that country. Switzerland is in contact with the authorities of the country concerned in order to highlight the negative consequences of this policy for both sides.

1.2.7 Difficulties in payment transactions

In one particular country a Swiss enterprise wished to carry out financial transactions between its local subsidiary and various other subsidiaries of the same group in other countries. Because the country concerned had taken political measures to limit currency outflows, the execution of the planned transactions proved very difficult for the company concerned. The Swiss Embassy therefore made repeated representations to the authorities of that country. In addition, the issue was raised during a local visit by a high-ranking SECO representative in the course of official discus-

sions. The authorities of the country gave an assurance that the free movement of capital would not be obstructed.

1.2.8 Nationalisations

Nationalisations are relatively uncommon but since such decisions are frequently taken at the highest state level, interventions in this area are political in nature. Under certain circumstances they may require intervention by a member of the Federal Council or by the President of the Confederation. A case of that kind occurred in 2008 when the subsidiary of a Swiss enterprise abroad was nationalised. Swiss commercial diplomacy advocated compensation on the basis of the applicable bilateral investment protection agreement; it presented a verbal note and established contact with the authorities locally and with their representatives in Switzerland. In addition, the President of the Swiss Confederation sent a corresponding letter. After lengthy legal proceedings and negotiations, the Swiss enterprise and the State concerned reached an amicable settlement.

The challenges faced by Swiss commercial diplomacy are as varied as Switzerland's economic interests abroad. They range from the arbitrary application of non-tariff measures, through the breach of intellectual property rights and nationalisation of companies, to discrimination in access to public tendering. Through its interventions, Swiss commercial diplomacy supports Swiss economic players who are experiencing difficulties abroad.

1.3 Instruments of commercial diplomacy

After this short and non-exhaustive overview of the problems Swiss companies can be faced with in their operations abroad, it is now time to review the instruments the Confederation can use for its commercial diplomacy, be they offensive or defensive.

1.3.1 Swiss foreign network and bilateral interventions

As one of the world's twenty biggest economies, a non-member of the EU and the proponent of a universal foreign policy, Switzerland has an extensive foreign network. 135 diplomatic and consular representations¹⁴ are able to take action in commercial diplomacy. Then there are the Swiss Business Hubs and the representations of Switzerland Tourism (see Sec. 1.3.6 and 1.3.7). In each of these representations, a member of the seconded Swiss personnel is responsible for the economic dossiers as well as for offensive and defensive commercial diplomacy. In countries in which Switzerland has only limited economic interests, an employee of the representation

¹⁴ The breakdown of these is as follows: 38 embassies and 10 consulates-general in Europe and Central Asia; 17 embassies and 7 consulates-general in the Asia/Pacific region; 31 embassies and 2 consulates-general in Africa and in the Middle East; 19 embassies and 11 consulates-general in North and South America.

sometimes takes care of these matters and handles other tasks at the same time. In countries which are economically significant for Switzerland, one full-time person – or even a number of persons or an entire department – frequently is/are engaged exclusively on these dossiers. The local head of mission is responsible for allocating the dossiers within the representation. This ensures that the Swiss foreign network can adapt rapidly and flexibly to the existing needs. Alongside the members of the seconded federal personnel, the network of honorary consuls also plays an important role. Whilst a comparison with partner countries may be hard to make, Switzerland has an extensive network of foreign representations but copes with the work with a relatively small number of personnel.

The task of the diplomatic and consular representations essentially consists of observing and analysing socio-economic trends in the country of residence, reporting back to headquarters on the subject, organising official economic missions, identifying opportunities for the Swiss private sector, keeping the latter informed while also taking commercial diplomacy action, both offensive and defensive.

The Swiss federal personnel responsible for safeguarding economic and commercial interests abroad consist essentially of seconded members of the Federal Department of Foreign Affairs, together with the specialist personnel delegated by other units of the federal administration, in particular SECO. As a rule, these personnel are supported in their work by local experts who are employed in the country concerned because of their familiarity with the local economy.

As to the profile of the diplomatic and consular personnel who are recruited in a selection procedure, these are essentially generalists. They have often acquired experience of the private sector before joining the federal administration. During the selection procedure, candidates have to pass an examination on the economy. Individuals who pass this selection procedure later attend economic modules in the course of their training which focus especially on the following themes: getting to know the structure and various players of the economy, developing an awareness of important global economic issues, visits to enterprises and their trade federations, presentation of *Switzerland Global Enterprise* and Switzerland Tourism. Their on-site training familiarizes them with the challenges with which our enterprises find themselves confronted abroad. This lays the basis for their deployment in commercial diplomacy. The federal employees who work in this sector subsequently undergo further training throughout their professional career.

As part of the exchange of personnel between SECO and the Federal Department of Foreign Affairs, SECO employees can hold in particular external economic posts at the Foreign Ministry for a number of years. Similarly, Foreign Ministry employees are able to hold positions at SECO for an extended period of time, generally at the Bern headquarters; this enables them to acquire an in-depth understanding of Swiss economic policy. Personnel are also exchanged between the State Secretariat for International Financial Matters (SIF) and the Foreign Ministry to take up posts in the economic and financial sector. Federal administration personnel are therefore exchanged between various units at every level of the hierarchy.

Local federal employees who are recruited in the countries of residence and selected on the basis of their professional expertise also make an important contribution to Swiss commercial diplomacy. In line with the practice of other countries, they tend to have increasing competences and responsibility. Moreover, they are given an opportunity to attend training modules in Switzerland at regular intervals.

In the area of offensive commercial diplomacy, Switzerland's foreign network supports the Swiss private sector through the organisation of trade fair participations, helps them with networking, informs the Swiss economic players of local opportunities and gives them suitable advice. Whenever this is expedient and under certain conditions, Swiss enterprises are sometimes given an opportunity to use the premises of an official representation for specific promotional events in return for payment of a fee.

In the area of defensive commercial diplomacy, the diplomatic and consular representations are available to the Swiss economic players by keeping them informed of potential difficulties, giving advice and on occasion providing support in coordination with the Bern headquarters by intervening with the authorities of the country of residence; the advantage of this type of intervention is that the local Swiss representations are well acquainted with local circumstances, cultural sensitivities, customary procedures and Swiss interests in the country concerned. In addition, the representations have a valuable network of contacts. However, as these interventions are non-judicial in nature, their impact may be limited.

1.3.2 Bilateral commercial diplomacy

The Head of the Federal Department of Economic Affairs, Education and Research (EAER) or the Director of SECO undertake numerous official missions abroad every year (see Sec. 7). The delegations which accompany these missions sometimes consist solely of persons holding official positions. In around one-third of all cases, delegations from the private sector are also invited to accompany the mission.¹⁵ These delegations from the private sector which are generally appointed under the leadership of *economiesuisse*, comprise between 10 and 30 persons and are expected to as far as possible reflect the diversity of the Swiss economy. Switzerland endeavours to enable the representatives of the private sector who accompany the official delegation to attend at least some of the official discussions. The aim of this is to give them an opportunity to present their own enterprises and projects and, if necessary, explain the difficulties with which they find themselves confronted.

Regardless of whether this is an exclusively official delegation or one accompanied by representatives of the private sector, the Head of the EAER or the Director of SECO regularly raise the subject of problems experienced by Swiss enterprises in discussions with their foreign official colleagues. The fact that these cases are raised at ministerial level often consequently makes the work of the Swiss representations easier as they are able to refer to the ministerial discussions in their technical conversations with the authorities of the country concerned.

¹⁵ In the year under review, the Head of the EAER led 13 bilateral missions abroad, five of them accompanied by private sector delegations (China, Kazakhstan/Azerbaijan, Mexico, South Africa and Vietnam/Indonesia). In the same period, the Director of SECO travelled abroad on nine bilateral missions. Delegations from the private sector were present on two of these missions (Myanmar/ Thailand and Poland).

1.3.3 Joint economic commissions and joint committees

Switzerland has maintained and further developed the instrument of *joint economic commissions*, whose origins can be traced back to the institutional discussions with the planned economies of the former Eastern bloc countries which did not join GATT or the WTO after 1994. Within these commissions, senior SECO personnel meet employees of corresponding institutions in the partner countries in the presence of representatives from the private sector. The commissions are generally established through a bilateral agreement or memorandum of understanding. Their meetings provide an opportunity to exchange information about the economic situation, closely examine the state of bilateral economic relations, identify possible joint cooperation projects and give the private sector a platform to deal with issues of mutual interest.

Switzerland currently maintains joint economic commissions with 27 countries¹⁶ including the BRICS States¹⁷. In the year under review, Switzerland held discussions with the following countries within the framework of the joint economic commissions: Argentina, Brazil, China, France, Germany, Italy, Kazakhstan, Mexico, Myanmar, Russia, Serbia, South Africa, Tadjikistan and Turkey. Depending on the particular needs, some of these joint economic commissions have set up working groups which are answerable and report to them. A good example of this is the joint commission created for trade between Switzerland and China under the 1974¹⁸ trade agreement. This commission has four working groups dealing with intellectual property (2007), investments (2007), environmental technologies (2009) and cooperation in the watch sector (2013).

The Swiss private sector welcomes the existence of these joint economic commissions which provide an opportunity to establish direct contacts with official representatives of our economic partners. However, the commissions are first and foremost an additional tool in the service of defensive commercial diplomacy, enabling specific problems to be dealt with.

Provision for *joint committees* is made in the FTA and these provide an institutional platform for regular meetings at which the implementation of the relevant agreements is reviewed. As these committees have a stronger basis in law than the joint economic commissions, legal arguments can be put forward more often in these when differences of opinion arise. As a matter of principle, there is no private sector participation in these joint committees.

¹⁶ Argentina, Austria, Azerbaijan, Belarus, Brazil, China, France, Germany, India, Indonesia, Italy, Kazakhstan, Kyrgyzstan, Mexico, Moldova, Myanmar, Philippines, Russia, Saudi Arabia, Serbia, South Africa, Tadjikistan, Turkey, Ukraine, USA, Uzbekistan, Venezuela.

¹⁷ BRICS stands for Brazil, Russia, India, China and South Africa.

¹⁸ Trade agreement between the Swiss Confederation and the People's Republic of China of 20 December 1974 (SR 0.946.292.491).

1.3.4 Commercial diplomacy in multilateral forums

International economic organisations are plurilateral or multilateral forums for formulating international rules which apply to their members once these have been adopted. These multilateral forums do not *a priori* constitute a framework for the commercial diplomacy interventions defined in this feature chapter.

However, some countries – including Switzerland – do make use of multilateral economic forums such as the WTO in particular for taking commercial diplomacy actions. One instrument which can be used for this purpose is the regular review of the trade policies of all the Member States by the WTO. The purpose of these reviews is to throw light on the trade policy of the individual countries (see Sec. 2.1.3). This gives the other Member States of the WTO have an opportunity to make comments and put questions to the country being reviewed. This procedure enables specific cases to be raised in the interest of a company or a particular sector.

WTO Member States also have access to the instrument of dispute arbitration, which gives every member an opportunity to appeal to the relevant WTO body on a specific matter. In general, a Member State is deemed to have suffered a relevant grievance if an enterprise or a sector of the economy concerned is harmed by a measure taken by a Member State in breach of WTO provisions. In the case of the steel dispute with the USA, Switzerland participated in a WTO arbitration procedure for the first time as a plaintiff. Switzerland successfully contested the protective customs tariffs which the USA had imposed upon steel imports on 20 March 2002.¹⁹ In addition, the WTO helps parties to the dispute to resolve conflicts amicably. Switzerland has also made use of this opportunity by calling upon the proven WTO dispute resolution systems.

1.3.5 Dispute resolution within the framework of economic agreements

The economic agreements concluded by Switzerland normally provide for State-to-State arbitration mechanisms for cases in which no amicable settlement can be reached. Such disputes usually arise in situations in which a Swiss economic player or sector believes that the rights and obligations stipulated in the relevant agreement are not being respected. On that basis, the Confederation may decide to initiate a dispute resolution procedure. That is an example of defensive commercial diplomacy.

1.3.6 *Switzerland Global Enterprise and Swiss Business Hubs*

Swiss exports are promoted through sales support measures of the private sector (chambers of commerce, federations or private enterprises) and by the Confederation itself which can highlight potential export destinations and help enterprises to penetrate new markets. The measures taken by the Confederation mainly consist of the

¹⁹ *United States – Definitive Safeguard Measures on Imports of Certain Steel Products* (DS253).

dissemination of information, provision of advice and e.g. support for participation in trade fairs abroad to promote Swiss exports.

For its export promotion support policy, the EAER concludes service level agreements outsourcing the operational implementation of export promotion focussing on the needs of SMEs.²⁰ The trade association *Switzerland Global Enterprise* (S-GE; see Sec. 9.1) is currently used for this purpose; it is better known under its previous name of Osec. S-GE has branch offices in Zurich, Lausanne and Lugano in Switzerland. The association employs around 100 persons in Switzerland and operates abroad in conjunction with some 80 employees of the Federal Department of Foreign Affairs.

On the markets which are regarded as particularly important, S-GE provides direct, local support to exporting businesses through its 21 Swiss Business Hubs (SBH)²¹. Precisely where these S-GE representations are based abroad depends upon the needs of the SMEs and the priorities of the foreign economic policy pursued by the Confederation. The strengthening of existing or establishment of new SBHs also depends upon the FTA signed by Switzerland. With one exception²², all the SBHs are integrated into the diplomatic and consular representations. This integration is a source of numerous synergies. They enjoy official status as a permanent component of the Swiss external network. As there are limitations on commercial activities for staff of the representations under the terms of the Vienna Convention on Diplomatic Relations and the equivalent Convention on Consular Relations, it is vital for the SBHs to be supported by a network of private enterprises and consultants. In countries in which there is no SBH, the embassies and consulates-general are responsible for export promotion. Here, the Swiss diplomatic and consular representations also provide an important service for the Swiss economy in this sector.

Before export-oriented Swiss SMEs contact the SBH, they generally hold a first informative discussion at the S-GE headquarters in Switzerland. Thanks to their knowledge of local circumstances and their local networks, the SBHs are indispensable to S-GE for providing effective support for Swiss enterprises abroad and represent an important component of Switzerland's offensive commercial diplomacy. In addition to close cooperation with the Confederation and private sector, the success of S-GE is attributable, among other things, to the fact that the trade association is able to offer customised services rapidly, taking due account of its clients' changing needs.

Once every four years, Parliament passes a federal resolution approving the framework funding which the EAER requires to extend the mission of the S-GE. The framework funding for the current period extending from 2012 to 2015 amounts to 84 million Swiss francs. The Federal Department of Foreign Affairs also provides substantial financial resources to cover the staff and infrastructure costs of the SBHs. In the year under review, some 5 million francs was spent on meeting the staff costs of the SBHs.

20 Federal Export Promotion Act of 6 October 2000 (SR **946.14**).

21 These are located in Beijing, Chicago, Dubai, Hong Kong, Istanbul, London, Madrid, Milan, Mexico City, Moscow, Mumbai, Paris, Pretoria, São Paulo, Seoul, Singapore, Stuttgart, Tokyo, Toronto, Warsaw and Vienna.

22 The SBH in Vienna is run by the Switzerland-Austria- Liechtenstein Chamber of Commerce.

1.3.7 Switzerland Tourism

Switzerland Tourism (ST) is a corporation under public law, based in Zurich and operating under the oversight of the EAER. For more than 90 years, acting on behalf of the Confederation, ST has helped to promote domestic and foreign demand for Switzerland as a tourism destination. The range of offers extends from all types of travel to holidays and the organisation of congresses. Because ST works in over 27 countries to promote Swiss tourism, this corporation is an important instrument of offensive commercial diplomacy. In recent years, fewer European tourists have been coming to Switzerland because of the economic downturn in Europe and the strong Swiss franc. ST helped to alleviate the consequences of this decline through its marketing efforts. This was achieved primarily by an increase in tourist numbers coming to Switzerland from other parts of the world.

For the promotion of Switzerland as a tourism destination ST pursues a marketing approach based on four pillars. Firstly, ST uses conventional PR instruments such as advertisements in the print media, brochures and attendance at tourism trade fairs. Secondly, as part of its *key media management*, ST works actively to promote relations with the professional media. Thirdly, ST is strengthening its cooperation with local travel agencies, especially on major growth markets such as China and India. Fourthly, ST attaches ever-increasing importance to electronic marketing.

In addition to its headquarters in Zurich, ST has 32 representations abroad where nearly half of the approx. 240 employees now work. ST is largely financed by the Confederation. The financing contribution is determined once every four years by a Federal resolution adopted in Parliament. For the current period between 2012 and 2015, the framework funding for ST amounts to 222 million Swiss francs. This financing contribution made available by the Confederation covers around 60 per cent of the ST budget. The remaining financial resources have to be raised by ST itself by providing services for external partners. Depending on the PR campaign, ST works with S-GE or Presence Switzerland in order to ensure a coordinated image of Switzerland abroad.

Regular impact studies have shown the benefit of ST to the Swiss tourism industry, especially in strategically important markets such as China and India.

1.3.8 Presence Switzerland

Presence Switzerland is an administrative unit of the Confederation and part of the FDFA. Its task is to promote the image of Switzerland abroad in every area, including the economy. Presence Switzerland works together with all the departments of the federal administration. It has IT instruments enabling it to monitor the development of the image of Switzerland in a number of countries and individual markets. Some of its activities are related to the instruments of offensive trade policy. Since findings show that the image of Switzerland abroad is shaped in large measure by the products and services exported by Swiss companies, Presence Switzerland exploits synergies with the private sector. These synergies may take various forms, e.g. public-private partnerships for major events (especially the Olympic Games or world exhibitions) and the development of specific services or the distribution of

information material (e.g. the book entitled *Swiss Made, the untold story behind Switzerland's success* by R. James Breiding²³).

In general, under its *nation branding* strategy²⁴, Presence Switzerland works to create a positive image of Switzerland abroad from which companies that export products *Made in Switzerland* benefit indirectly. Examples include the *PlanetSolar*²⁵ and *Solar Impulse*²⁶ projects.

1.3.9 The education, research and innovation network

As part of its basic mission to represent Swiss interests abroad, the diplomatic and consular representations support activities in the area of education, research and innovation. More specifically, the *swissnex* representations and advisors for science and technology who currently operate in 18 foreign representations constitute the external network of the Confederation with a mission in the areas of education, research and innovation. The network is headed up by the State Secretariat for Education, Research and Innovation (SERI) at the EAER with the support of the FDFA. The first *swissnex* representation was inaugurated in Boston in the year 2000. Since then, *swissnex* offices have been opened in San Francisco, Singapore, Shanghai, Bangalore and Rio de Janeiro.

The task of this network is to monitor and analyse developments in the area of education, research and innovation in the country concerned. In addition, scientific exchange programs and joint research projects with university institutions of the host country are promoted and contributions made to outstanding services and to underline the attractiveness of Switzerland in the field of education, research and innovation. As one specialist article points out, «the commercial diplomacy of the industrialized countries is increasingly focused on the promotion of R&D»²⁷, science and technology and pre-commercial cooperation²⁸. The *swissnex* representations will play an increasingly important role in commercial diplomacy and there is likely to be a need for expanding the cooperation which already exists from time to time between the *swissnex* representations and the SBH. There are major differences between the traditional partners of these institutions because, in view of their mission, the *swissnex* representations take an interest in young researchers and small start-ups. On the other hand, the SBHs focus on enterprises which have already achieved a degree of maturity. However, as the *swissnex* representations and the SBH are complementary in terms of their spheres of activity and competences, new synergies can be expected.

²³ *Profile Books*, London, 2013.

²⁴ <http://www.eda.admin.ch/eda/de/home/topics/prskom.html>

²⁵ <http://www.planetsolar.org/de/>

²⁶ <http://www.solarimpulse.com/de>

²⁷ «Research and development»

²⁸ Olivier Naray, «Commercial Diplomats in the Context of International Business», *The Hague Journal of Diplomacy*, No. 6 (2011), p. 126.

1.3.10 Chambers of commerce

As private institutions, the activities of the Swiss Chambers of Commerce and *Swiss Business Councils* abroad do not come under the scope of commercial diplomacy within the meaning of this chapter. However, these institutions do frequently benefit from a certain official character, depending on the country concerned. That is why the content of their interventions for the benefit of Swiss member companies corresponds in many cases to the measures of commercial diplomacy, especially as they are sometimes implemented in coordination with the local Swiss representation or even with its express support. The chambers of commerce frequently also serve as valuable sources of information, as possible venues for networking and as actors in an offensive, private sector commercial diplomacy.

Switzerland has a wide range of instruments of commercial diplomacy. These extend from economic missions established at various levels via the dispute arbitration mechanisms within the framework of economic agreements, to the specialist members of the Swiss foreign network. Thanks to these largely complementary, different instruments, Switzerland is able to defend its interests abroad both effectively and in a targeted manner.

1.4 Challenges for the future

In a changing world, Switzerland will have to give thought to the future of its commercial diplomacy. Is it effective? Does it need to be reformed or strengthened? Does it need new instruments? Will it have to turn its attention to new markets?

The Federal Council is convinced that it makes good sense to operate effective commercial diplomacy in the service of the Swiss economy. This is particularly important for SMEs which are often unable to safeguard their interests in challenging markets on their own. Commercial diplomacy must have appropriate instruments at its disposal to take due account of international competition and the challenges of globalisation – such as the international division of labour, the global value added chains, non-tariff barriers to trade which are increasingly more often being used for protectionist purposes, or the increasingly complex trade in services. For this to succeed we must anticipate the mega trends of economic development in a changing world and monitor our current and future competitors in order to learn from them whenever this seems appropriate.

1.4.1 What is the competition doing?

Our biggest competitors on the world markets are currently the industrialised countries of Western Europe and North America, together with some advanced Asian economies.

A survey of Swiss embassies has shown that most of our current competitors either have an organisational structure comparable to ours or one which is organised along state-dominated or centralised lines. In general, the European countries comparable

to Switzerland have greater financial resources and more personnel to engage in offensive commercial diplomacy. Moreover, these States are often better coordinated and more resolute and sometimes adopt an industrial policy on the export side. In some countries, companies are required by law to contribute to the costs of commercial policy.

The private sectors in the countries concerned seem to be satisfied on the whole with the particular state services. However, there are substantial differences between individual countries. The prize for the most dynamic policy must surely go to the United Kingdom and the Netherlands whose governments are currently making sustained efforts and have committed additional budgetary resources to intensifying an offensive commercial diplomacy.

In future – aside from our current competitors – competition will come on the one side from the major emerging countries of Brazil, China, India, Russia and South Africa and on the other from the group of countries which is sometimes referred to as the *Next-Eleven*²⁹. The economic policy tradition of these emerging countries often differs from the prevailing classical liberal model in Western Europe. These countries, which act in a more interventionist manner and are frequently typified by a large state sector or conglomerates with close government ties, are already developing a different and more aggressive trade policy approach. They have no hesitation in linking market access for their companies to development cooperation or political support. In some of these countries – especially those which are characterised by high economic growth and a relative paucity of raw materials – commercial diplomacy is also used to gain access to resources.

As regards to commercial diplomacy in the narrower sense, these countries do not seem as yet to have developed any genuine service and support culture for the benefit of their enterprises – particularly in the case of purely private enterprises or SMEs. Moreover, a strong trend towards bureaucratization often prevents commercial diplomacy from dealing with the specific problems of the enterprises concerned. That is why companies from these countries not infrequently ask the local Swiss representations for support in setting up and expanding their business in Switzerland.

Both in our existing competitor countries and in the emerging countries, commercial diplomacy tasks are frequently performed by a large number of public or semi-public institutions. This leads to duplication, rivalry between services and in the end to a waste of resources. As far as Switzerland is concerned on the other hand, the various commercial diplomacy instruments are relatively complementary. By comparison with other countries Switzerland has successfully avoided duplication.

Based on the vision of the future described here, it would be illusory to believe that Switzerland could defend its interests simply by invoking its rights arising from the existing, signed trade agreements and through limited commercial diplomacy. Fundamental consideration must be given to the future instruments of commercial diplomacy.

²⁹ According to the investment bank Goldman Sachs, this group comprises Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, the Republic of Korea, Turkey and Vietnam.

The Federal Council is convinced that it makes sense to pursue an effective commercial diplomacy in the service of the Swiss economy. Most of Switzerland's current competitors organise their commercial diplomacy along similar lines to Switzerland but many pursue more resolute action. They often have greater financial and staffing resources. In response to the economic crisis, some countries have recently begun to focus strongly on commercial diplomacy. From the overall viewpoint, the major emerging countries outside Europe have developed hardly any commercial diplomacy focused on services for the private sector.

1.4.2 Swiss trade diplomats of the future

Individuals with a variety of profiles are engaged in commercial diplomacy: specialist business managers, generalists in the field of international relations, economists and lawyers. The first group is generally drawn from the world of business. They are able to analyse specific problems and have a proactive approach to business. The second group typically comprises diplomats or consular officials who have an overview of trade problems and are familiar with all aspects of the country to which they are accredited. This enables them to place specific problems in the overall context of Swiss relations with the country concerned. Moreover, they maintain a network of relations extending beyond the purely economic milieu from which Swiss companies also benefit. The third group consists for the most part of professionals who are experts in international relations in the economic sector and supply valuable macro-economic analyses of the country concerned.

In the opinion of the Federal Council, all these profiles are needed for an effective commercial diplomacy. To enable the FDFA, SECO, S-GE and SERI to further develop and extend their particular expertise, the Federal Council is in favour of promoting the exchange of personnel between these entities. It also believes that support should be given to interested FDFA officials with a degree of specialisation in the areas of economy and trade, e.g. through giving preference to deploying previous FDFA employees as heads of SBH.

In a changing world in which our partners outside Europe are likely to gain even more economic importance and in which the growth of protectionist and state-controlled trends cannot be excluded, the Federal Council believes it is essential to strengthen basic and advanced training for those engaged in Swiss commercial diplomacy by taking the following measures:

- offer of further training modules for staff with one of the above profiles to enable them to expand their skills;
- increase in the percentage of the economic content in the basic training of personnel of the diplomatic and consular service of the FDFA;
- provision of an extensive economic training module developed jointly by the FDFA, SECO and *economiesuisse* for diplomats and consular officials who are likely to occupy a post which is important for defending the country's interests abroad, and

- expansion of the S-GE further training program for seconded and local federal personnel who can be assigned to export promotion tasks.

The Federal Council is convinced that through these training measures public service employees will be given the best possible preparation for meeting the future challenges of Swiss commercial diplomacy. However, these measures will not be enough on their own. That is why new approaches must be examined.

The profile of staff engaged in Swiss commercial diplomacy varies widely and takes account of the specific needs of the economy. In a changing world in which our non-European partners are likely to gain increasing economic importance, the Federal Council believes it is essential to increasingly focus the basic and advanced training of Swiss trade diplomats on economic issues.

1.4.3 New approaches

The Federal Council takes the view that Swiss commercial diplomacy is working satisfactorily overall. Nevertheless, there is room for improvement. That is why it will examine a range of measures as a first step.

One first possible route might be for delegations from the private sector to accompany the President of the Confederation on official missions. That would enable the number of annual missions to be increased and the private sector would gain access to the highest level representatives of the States that are visited. In addition, combined economic and scientific missions could be organised – based on the model of the trip to South Africa undertaken in the year under review by a delegation headed by Federal Councillor Johann N. Schneider-Ammann.

A second option, which is already being pursued in part, consists of organising joint defensive trade diplomatic measures with like-minded countries. This could be envisaged in cases where the interests of a single enterprise are not the primary consideration but rather those of an entire sector of the economy.

Thirdly, Electronic Data Processing support by Presence Switzerland could be intensified in order to provide early stage detection of important opinion trends on key markets which have a significant bearing on specific Swiss industrial sectors. In that way, an early warning system could be established for events abroad that might have an impact on our exporting industry.

Fourthly, additional efforts could be made in Switzerland to ensure that economic players are more familiar with Swiss trade agreements and the various instruments of Swiss commercial diplomacy so they can make better use of these facilities.

However, within the framework of the medium to long-term strategic considerations the most urgent task is to find an answer to the question as to the areas in which our economic players will in future have the greatest need for support from Swiss commercial diplomacy. In this context, the Federal Council takes the view that commercial diplomacy can generate the greatest added value in distant markets, both in countries with major linguistic and cultural hurdles, in economic systems which play by rules different from our own, in States with unstable or weak legal systems, in

regions in which reliable information is hard to come by as well as in countries where the administration lacks transparency. Against that background, in years to come the network of trade diplomats will be focused more heavily on emerging countries outside Europe.

Economic relations between Switzerland and the EU, governed by the FTA of 1972³⁰, will undoubtedly play an essential role both now and in the foreseeable future. The Federal Council does not intend to call into question the network of economic advisers in the EU Member States. However, it takes the view that the Swiss foreign network can in future create added value primarily through commercial diplomacy measures outside the EU. It is true that the EU still accounts for some 65 percent of Swiss foreign trade and will remain Switzerland's most important trading partner in future. But that proportion has fallen continuously over the past 20 years in favour of the emerging countries outside Europe³¹. This trend is expected to continue. The Federal Council takes the view that commercial diplomacy is in the service of Switzerland's foreign economic policy and against that background must be regarded as risk capital. That is why investments should be made both now and in the future in markets which, although still relatively insignificant today, do nevertheless have potential and high growth rates. Those markets are situated in Africa, Latin America, Asia and the Middle East.

The Federal Council takes the view that on the whole Swiss commercial diplomacy is working well. At the same time, it believes that this instrument of foreign economic policy can be further extended. It is convinced that Swiss commercial diplomacy can create particularly significant added value in distant emerging countries. That is why Swiss trade diplomats must also be increasingly deployed in Africa, Latin America, Asia and the Middle East.

1.5 Conclusion

The approach to international economic exchanges pursued by Switzerland is based on open markets. At the same time, its policy is typified by a healthy dose of pragmatism with which governmental and private players can take account of the needs of a changing world. At a time in which we are seeing growing protectionist trends in some countries while others are tending towards a degree of state control, commercial diplomacy is more important than ever as a service for Swiss economic players.

The Federal Council will examine the various opportunities described in this feature chapter for the further strengthening of Swiss commercial diplomacy. It takes the view that *defensive* commercial diplomacy is working satisfactorily, while in the area of *offensive* commercial diplomacy, more can still be done – either by mandating Presence Switzerland over and above its existing activities to intensify its en-

³⁰ Agreement between the Swiss Confederation and the European Economic Community of 22 July 1972 (SR 0.632.401).

³¹ In 1990 trade with the Member States of the European Community accounted for nearly 75% of our external trade. That number fell to 71.5% in 2000, 68.3% in 2010 and 65% in 2012 – despite the enlargement of the EU which took place in that same period.

deavours in the area of *nation branding* or by a gradual restructuring of the Swiss foreign network appropriate to the future needs of the economy, or by the basic and advanced training of personnel employed in the external network being geared more heavily towards the economy. The Federal Council is convinced that, in the service of Swiss companies and to promote employment in our own country, an effective commercial diplomacy makes good sense. This presupposes that commercial diplomacy has the appropriate instruments at its disposal which take due account of international competition and the challenges of globalisation. Last but not least, it can be assumed that in future Swiss commercial diplomacy will increasingly generate added value in the emerging countries outside Europe. That is why new resources must be progressively allocated to commercial diplomacy in the future.