

Overview (Executive summary)

The Objectives of the Federal Council

The year under review was dominated by the effects of the financial and economic crisis on national and international economic activity. Despite record levels of government intervention and support measures in both the industrialized and the newly industrializing countries, international organizations like the IMF are forecasting a decline in global economic output for the first time since the Second World War.

When there are economic problems in all the important markets, the effects on an export-oriented economy such as Switzerland's are especially pronounced. Although the Swiss economy held its own well on an international comparison, it will post negative growth in 2009. In the light of these circumstances, the Federal Council pursued a dual strategy in foreign economic policy: in the relevant international organizations and meetings it has resolutely opposed emerging trends towards fiscal and trade protectionism, while at the same time taking measures to support economic activity and strengthen competition in the domestic market and to improve conditions for our export economy. Having taken a series of measures in November 2008, it followed these up in February and August 2009 with two more stabilization packages which – like their predecessors – primarily affected the domestic market. More free trade agreements were concluded, further facilitating market access for Swiss exports – and improving opportunities for the export economy to derive maximum benefit from the upturn as soon as it emerges.

In the Outlook for the coming year of the 2008 Foreign Economic Policy Report (BBl 2009 727), the Federal Council's objectives focused primarily on coping with the financial crisis and its effects on the export economy. The aforementioned measures are thus consistent with the intentions expressed by the Federal Council at that time, and they serve to pursue those objectives. Besides continuing to expand the network of free trade agreements, the Federal Council's objectives included the consolidation and expansion of relations with the EU and the reinforcement of the WTO's multilateral rules. The present report highlights the substantial progress made in relations with the EU. There was also a perceptible increase in pressure in the WTO Doha Round negotiations in the second half of the year, at both political and expert level, making a conclusion of the Round next year difficult, but not entirely impossible. An important role will be played by the stocktaking arranged by the WTO Ministerial Conference at the beginning of December, which is scheduled to be conducted in the first quarter of 2010.

In its Annual Report the Federal Council will, as usual, give a detailed, comprehensive account of the progress made towards the achievement of its objectives for 2009. With regard to foreign economic policy we may provisionally conclude that the objectives for the year under review have been achieved.

The 2009 Foreign Economic Policy Report

Sustainability in foreign economic policy (see section 1)

The main feature topic is devoted to the subject of "Sustainability in foreign economic policy". Although foreign economic policy focuses primarily on economic performance, the Federal Council must also take into consideration environmental responsibility and social solidarity in order to ensure that development is sustainable in all three dimensions. This leads inevitably to conflicting objectives that can only be resolved on a case-by-case basis, not in the abstract. The purpose of this chapter is to highlight the conceptual bonds linking the three dimensions of sustainability in the field of foreign economic policy, to describe the action taken by Switzerland to ensure that they are taken into consideration at international level, and to formulate priorities. In future, in addition to working for the continued improvement in conditions for international economic activity, the Federal Council will concentrate principally on the following subjects: strengthening international environmental and social rules, promoting cooperation and coherence between relevant international organizations, ensuring the coherence of Switzerland's plurilateral and bilateral commitments, and supporting voluntary measures in the private sector.

Multilateral economic cooperation (see section 2):

Elections and new administrations in India and the US contributed to the fact that the Doha Round of the WTO did not make significant progress. In the second half of the year the G20 heads of government succeeded in exerting increased political pressure on the technical work in Geneva, with the objective of concluding the negotiations in 2010. Outside the Doha Round, the WTO continued to conduct negotiations with a total of 29 candidates for accession, the trade policies of seventeen members were scrutinized, and important decisions were reached in the course of dispute-resolution procedures. The seventh WTO Ministerial Conference, taking "The WTO, the Multilateral Trading System and the Current Global Economic Environment" as its theme, was held at the end of the year. Though the Doha Round was not one of the conference's main concerns, the participants send out an important signal by deciding to conduct a stocktaking of the negotiations in the first quarter of 2010.

Relations with the OECD were tense in connection with the role of the Secretary-General in the G20's handling of the tax problems, but they were normalized in the course of the year. The work of this organization and of the expert committee meetings under its aegis also concentrated on combating the financial and economic crisis and its consequences, a function for which the OECD's wide-ranging activities make it quite suitable. Swiss economic policy and public development cooperation were subjected to peer reviews.

Important topics at UNCTAD were the implementation of the resolutions of the previous year's twelfth Ministerial Conference, known as the "Accra Accord" (see the 2008 Foreign Economic Policy Report), and the consequences of the financial and economic crisis for the developing countries. At UNIDO Switzerland maintained its involvement in several projects focusing on the promotion of environmentally friendly technologies.

European economic integration (see section 3)

A number of important decisions and negotiations marked the relations with our most important trading partner, the EU and its member states. The referendum on the continuation of the agreement on the free movement of persons and its extension to Romania and Bulgaria resulted in a clear majority of “yes” votes. The agreement on easing customs formalities and customs security, which exempts the trade in goods between Switzerland and the EU from the requirement to give advance notice (the 24-hour rule), was signed and has been applied since 1 July. In the referendum on the biometric passport, which constitutes a refinement of the Schengen acquis, the Federal Council's proposal was passed by a small majority. Existing bilateral agreements continued to be implemented, and where necessary were amended in line with the continued development of EU law.

Existing agreements were consolidated in line with the Federal Council's objectives, and the process of extending relations into new areas continued. Of these, negotiations in the field of electricity, agriculture, food and product safety and health are particularly important to the Swiss economy – as is the exploration of institutionalized cooperation with the EU on the new EU regulations relating to chemicals (REACH).

Free trade agreements with partners outside the EU and EFTA (see section 4)

After some two years of negotiation, the bilateral agreement on free trade and partnership with Japan – one of Switzerland's most important economic partners, and the world's second-largest economy – came into force on 1 September. Switzerland has thus secured preferential access to this market, which neither the EU nor the US has yet achieved. The free trade agreement between EFTA and Canada also came into force, on 1 July. Other agreements were concluded under the aegis of EFTA with members of the Arab Gulf Cooperation Council (GCC), Albania and Serbia (already signed), and Peru (due to be signed in the near future). This will bring the number of free trade agreements with partners outside the EU and EFTA to over twenty. Negotiations are under way with Algeria, India and the Ukraine, and more will begin in 2010 with, among others, Hong Kong, Indonesia and, possibly, Russia. A study is currently being conducted under the aegis of EFTA regarding the feasibility of commencing negotiations on a free trade agreement with Vietnam. Significant progress has been made on a bilateral basis by Switzerland and China, who have agreed to conduct a feasibility study with a view to concluding a free trade agreement between the two countries.

Horizontal policies (see section 5)

Among the core elements of Swiss foreign economic policy – and of numerous economic agreements – are the trade in goods (industrial and agricultural), technical barriers to trade, services, investment, competition law, public procurement and trade-related aspects of intellectual property. In all these fields, bringing in the required specialist expertise and representing Swiss interests – both in the negotiation of economic agreements and within international organizations – are among the most important tasks facing our foreign economic policy. Besides the WTO, these organizations include the OECD, the WIPO and UN bodies. Environmental and energy issues are also becoming more and more important. The UN Climate Change Conference, which was held in Copenhagen during the year

under review, constituted an important round of negotiations on international climate policy that will also be relevant to economic and development policy.

The international financial system (see section 6)

In addition to national support measures, concerted action and agreements at international level played a crucial role in combating the financial crisis. Switzerland took an active part in the contributions of the IMF and the Financial Stability Board. The IMF's annual country review of Switzerland confirmed that its response to the financial crisis had been particularly appropriate and well thought out. The Financial Action Task Force against Money Laundering, furthermore, recognized the significant progress made by Switzerland in combating these activities as well as the financing of terrorism. Developments in the taxation field, where it had come under increasing international pressure, were of central interest to Switzerland. Double-taxation agreements with numerous countries were adapted in line with the decision by the Federal Council to conform in future to the OECD information-exchange standard.

Economic development cooperation (see section 7)

The central element in economic development cooperation during the year under review was the endeavour to help the developing countries cope with the problems they were facing in the wake of the financial and economic crisis, not least because it was realized that these problems could well wreck many years of successful development. Important roles are played by the World Bank Group and the regional development banks, which are also in a position to put together comprehensive support programmes – though this placed very heavy demands on their resources. The Federal Council therefore plans to send parliament a message on participation in the expected capital increases. Bilateral cooperation with developing countries concentrated on the expansion of activities in the seven key countries for which the new global credit is intended. Cooperation with the countries of eastern Europe and the CIS continued, as did the consideration and processing of applications for project funding under the Swiss contribution to the expanded EU.

Bilateral economic relations (see section 8)

In addition to the various negotiations, great attention was paid during the year under review to the maintenance of bilateral contacts, with the objective of improving conditions for Swiss exports and investments abroad. The Federal Council attached particular importance to the continued implementation of country strategies for emerging markets (Brazil, China, the GCC, India, Mexico, Russia and South Africa), and to the finalization of further strategies for Indonesia and Turkey. High-ranking economic missions and meetings of Joint Commissions consolidated relations with these countries and with other important economic partners. The coming into force of the free trade and partnership agreement with Japan, and the decision to conduct a feasibility study on a corresponding agreement with China constituted two more major successes at the bilateral level during the year under review.

Export controls and embargoes (see section 9)

Switzerland plays an active role in the continuing development of the four international export-control regimes, supporting international efforts to prevent the proliferation of weapons of mass destruction and to restrict conventional armaments. At the same time it safeguards its own legitimate economic interests. The people's initiative "For the prohibition of the export of war materials", which the electorate and the cantons rejected by a substantial majority on 29 November, was particularly important to the sectors of Swiss industry affected by it.

As part of its embargo policy the Federal Council decided to adopt new enforcement measures against Somalia and Guinea, while lifting sanctions on Uzbekistan. Other embargoes were maintained, and adjusted in line with international resolutions where necessary. Monitoring of the international trade in uncut diamonds was continued.

Promoting exports and tourism, attracting inward investment (see section 10)

Osec supports SMEs with export promotion on behalf of the Federal Council. Following the decision to expand this organization's activities with three new mandates, among others in the field of investment promotion, in the previous year, the Federal Council approved during the year under review additional credits enabling Osec to adapt its services in the light of customer requirements that had altered in consequence of the financial crisis. The Swiss Export Risk Insurance entered into substantial new commitments, and – also as a contribution to coping with the consequences of the financial crisis – added selected new products to its range. In consultation with Germany and Austria, insurance for the Ilisu dam project was terminated because the conditions attached to it could not be met.

Following a record year in 2008, the Swiss tourism sector – as expected – suffered a downturn. As part of the second stabilization programme the Federal Council allocated twelve million Swiss francs to countermeasures, mostly to be spent on marketing in Switzerland and neighbouring countries.

Outlook for the coming year

Although a moderate recovery in the global economy is beginning to make itself felt, the financial and economic crisis will continue next year to affect the Swiss economy and thus the Federal Council's foreign economic policy. The policy continues to focus on three principal themes: relations with the EU, the WTO's multilateral rules, and free trade agreements with countries outside the EU and EFTA. Negotiations with the EU will continue in the fields of electricity as well as, agriculture, food and product safety, and health – while negotiations on participation in the Galileo satellite navigation system will begin. It has yet to be decided whether negotiations will begin on REACH and emissions trading. At the WTO Switzerland will continue to advocate strengthening the multilateral trading system by concluding the Doha Round. Negotiations on free trade agreements that began before or during 2009 (with Algeria, India and the Ukraine) are scheduled to be completed in 2010. New negotiations with other partners will be initiated (particularly with Hong Kong and Indonesia) or prepared (with China, Malaysia, Russia, Vietnam and perhaps others). At the same time, the maintenance of existing treaties will have to be given due attention.

Other important foreign economic policy business in 2010 will include Switzerland's positioning in the World Bank and the IMF, ensuring that the Swiss Accreditation Service retains its membership in the European Co-operation for Accreditation Multilateral Agreement, and the collective message to parliament on the promotion of inward investment 2012-2015, including the amendment of the Federal Act on the Promotion of Innovation and Cooperation in Tourism.
