

Why Switzerland?

Summary

Area: 41,285 km² (15,940 mi²)

Population: 8.3 million

Population growth rate (change): 1.1%

Population density: 201 people per km²

Urban population: 74%

Capital city: Berne (population: 133,000)

Official languages: German, French, Italian, Romansh

Currency: Swiss Franc (CHF)

Nominal GDP: US \$669.0 billion

Real annual GDP growth: 1.4%

GDP per capita: US \$80,345.6

Annual inflation rate: -0.4%

Unemployment rate: 3.3%

General government gross debt: 43.3% of GDP

Fiscal balance: 0.1% of GDP

Current account balance: 10.5% of GDP / US \$70.5 billion

Exports of goods to UK: £10,126 million

Imports of goods from UK: £8,602 million

Exports of services to UK: £3,604 million

Imports of services from UK: £12,386 million

Inward direct investment flow: US \$-26.3 billion

Exports & imports as share of GDP: 118.5%

[Source – FCO Economics Unit, Oct 2017; World Economic Forum; ONS Pink Book 2017; Swiss Federal Statistical Office 2017]

Geography

Switzerland is a small Alpine country in west-central Europe, about twice the size of Wales and lying between latitudes 45° and 48° N, and longitudes 5° and 11° E. It borders France to the west, Germany to the north, Liechtenstein and Austria to the east and Italy to the south.

The southern half of the country is high Alpine, with 48 mountains at 4,000 m (13,000 ft) above sea level or higher. The smaller Jura Mountains are in the west of the country, around Lake Geneva and the border with France.

The centre and north of the country is the Central, or Swiss Plateau, the most densely-populated area with the country's largest cities. This plateau is partly forested, partly open pastures, with grazing herds, vegetables and fruit fields plus a number of large lakes including Lake Constance (Bodensee) on the German/Austrian border.



General overview

Switzerland is the world's most competitive economy for the seventh consecutive year according to the World Economic Forum's (WEF) 2017-18 Global Competitiveness Index:

<http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>.

The Swiss economy has weathered the economic storm in Europe well over the past years, despite continued upward pressure on the Swiss Franc. Switzerland's economy benefits from a highly-skilled labour force, a stable political environment, liquid and sophisticated financial markets, low taxes, strong domestic purchasing power, a well-developed infrastructure, a stable macroeconomic environment and a strong service sector.

Switzerland is a diverse and mature economy with opportunities in all sectors. Business links between Switzerland and the UK are extremely strong with more than 80 flights per day linking the UK with Switzerland.

[Source – DIT/gov.uk]

Government overview

Founded in 1848, the Swiss Federal State comprises of 26 cantons, each with extensive political powers. Berne is the federal and administrative capital although Zurich is considered the financial and commercial centre. Other major cities include Geneva, Basel and Lausanne.

Traditionally, Swiss politics are characterised by consensus and stability, and voters have a large say in the political and administrative life of their country, through a long-standing tradition of referenda on a wide range of issues. National elections are held every four years, next scheduled for autumn 2019.

Largely because of its strong commitment to neutrality, Switzerland is not a member of the EU, EEA or NATO, although it participates in some of NATO's activities as a member of the Partnership for Peace (PfP) programme and it is a member of European Free Trade Association (EFTA).

A series of bilateral agreements between Switzerland and the EU currently govern the relationship, for example, land and air transport and free movement of persons, which came into force on 1st June 2002.

A second package of accords was signed in October 2004 which includes measures to combat tax evasion within the EU. In 2009, Switzerland became a member of the Schengen Agreement.

Switzerland has been a member of EFTA since 1959 and a member of the World Trade Organization (WTO) since 1995. Switzerland joined the UN in September 2002 after a narrow vote in favour, but remains keen to steer a neutral course. In 2013 Switzerland launched its candidacy for a non-permanent seat on the UN Security Council for the 2023-2024 term.

Switzerland has recently signed tax agreements with the UK, Germany and many other states. Switzerland has exchange of information relationships with 120 jurisdictions and is actively co-operating on the development of a global standard for the automatic exchange of information (AEI) under the auspices of the OECD. On 27th May 2015, Switzerland and the EU signed an agreement regarding the introduction of the global standard for the automatic exchange of information in tax matters. Switzerland and the 28 EU member states started to collect account data last year and will exchange this information from this year.

Switzerland signed a Free Trade Agreement with China that entered into force in June 2014, the first country in Europe to do so. Switzerland currently has a network of 28 free trade agreements (FTAs) with 38 partners outside the EU. Switzerland is not a member of the European Union (EU), and is not likely to join in the foreseeable future, but it has extensive access to the single market through a series of complex bilateral agreements, including free movement of persons. Switzerland has brought much of its regulation and practices into line with EU standards. However, protectionist measures remain in some areas – agriculture and recruitment services are instances which have recently affected British companies.

After a key Swiss referendum on 9th February 2014 that voted in favour of curbing immigration through imposing strict caps and quotas on work and residence permits issued to foreigners (including EU nationals), the future shape of Switzerland's relationship with the European Union was under debate for almost two years.

In December 2016 the Swiss Parliament decided not to fully follow the constitutional article but to implement a free movement-compatible and more business-friendly new immigration law. The new law gives preference to residents (Swiss and non-Swiss) by providing information on open positions first to registered unemployed persons. It can therefore be understood as a sort of information advantage and “soft” preference model, as the employer has to consider the employment of the registered local residents but is free to employ the candidate it wants. Additionally, the advantage model is only applied in still-to-be-defined regions and job sectors where unemployment is exceptionally high. The exact way of application of the new law is to be defined by the Federal Council.

More than 24.6% of Switzerland's population of 8.23 million are non-Swiss, with a large percentage living in the main cities of Zurich, Geneva, Basel and Berne. This reflects in part the high bar in becoming Swiss by naturalisation: one must have resided in Switzerland for at least 12 years before applying for citizenship.

[Source – FCO Overseas Business Risk/gov.uk]

Human rights

Swiss cities regularly feature amongst the best places in the world for expatriates to live, largely due to political stability, low crime rates and good medical facilities. In January 2013, the Economist Intelligence Unit ranked Switzerland as the best place in the world to be born, citing stability (economic and political) in uncertain times.

Human rights are comprehensively guaranteed in Switzerland and it is often at or near the top in international civil liberties and political rights rankings. The rule of law and strength of democracy are strong, as are respect for human rights and tolerance. Promoting respect for human rights is a constitutional objective of Swiss foreign policy and a permanent feature of political discussions. Freedom of speech is respected and recognised and there is a free, albeit small, press.

[Source – FCO Overseas Business Risk/gov.uk]

Economic overview

Swiss economic growth was weak in the second half of 2016. Leading indicators are, however, pointing to an upward trend in 2017. Economic growth in Switzerland was anticipated to accelerate to +1.6% in 2017 (previously +1.8%) and to +1.9% in 2018 (unchanged), underpinned by domestic demand in particular.

The job market should benefit from the economic recovery and unemployment was expected to drop to 3.2% in 2017 and 3.1% in 2018. The beginning of 2017 has saw an increase in available jobs. According to a representative survey, for the first time in three years there are again more companies that are planning to create jobs than ones that are planning to reduce staff numbers.

Financial services constitute just over 10% of Swiss GDP and Swiss financial institutions are currently adapting to a new international regulatory environment. Swiss core inflation is still historically low and the Swiss National Bank (SNB) expects inflation to rise slightly to 0.3% in 2017. For 2018, the inflation forecast has been revised slightly downwards to 0.4% from 0.5%. The SNB expects inflation to reach the 1.1% threshold in mid-2019.

Switzerland is home to a number of multinationals, and exports are significant contributors to GDP. Its most important trading partners are the industrialised countries.

The EU is Switzerland's main trading partner followed by the USA, China and Hong Kong. Switzerland is the fourth main trading partner of the EU.

[Source – FCO Overseas Business Risk/gov.uk]

Switzerland and UK trade

Switzerland is the UK's most important non-EU trading partner after the USA. There is a strong trading relationship in both trade in goods and trade in services.

According to SNB, There was a net trade surplus in goods of CHF 5.1 billion in 2015 and a net trade deficit in services of CHF 2 billion. This adds up to a net trade surplus of CHF 3.2 billion for Switzerland (approx. £2.4 billion); i.e. a trade deficit for the UK.

[Source: Swiss National Bank (SNB)]

Key factors that can benefit British trade into Switzerland include:

- strong demand for high-quality products and services with competitive prices
- highly automated and efficient manufacturing sector
- strong Swiss Franc makes UK products highly competitive
- Switzerland is a springboard for third-country business

[Source – FCO Overseas Business Risk/gov.uk]

Benefits for UK businesses

Benefits for UK businesses exporting to Switzerland include:

- favourable exchange rate
- flight times under two hours
- English widely spoken
- multicultural market suitable for product testing
- Europe's highest per-capita income
- similar legal and regulatory environment to the UK

Strengths of the Swiss market

Strengths of the Swiss market include:

- central location in Europe
- political and financial stability
- excellent public infrastructure
- highly-educated workforce
- high productivity
- innovative country with high spend on research and development and technology
- purchasing power amongst the world's highest
- reliable business, legal and regulatory environment
- low value added tax (VAT) compared to many European Union (EU) countries
- 43,000 British nationals live in Switzerland and over 700,000 British tourists visit annually

Doing business in Switzerland is very similar to doing business in the UK. If your product or service is successful in the UK, there is a good chance you will be successful in Switzerland.

Industries importing into Switzerland

The top ten industries importing into Switzerland are:

- gems, precious metals
- pharmaceuticals
- machinery including computers
- vehicles
- electrical machinery, equipment
- organic chemicals
- optical, technical, medical apparatus
- mineral fuels including oil

- plastics, plastic articles
- furniture, bedding, lighting, signs, prefab buildings

You can read more about what Switzerland imports at World's Top Exports: <http://www.worldstopexports.com/switzerlands-top-10-imports/>.

See also the EU's practical guide to doing business in Europe, at: http://europa.eu/youreurope/business/index_en.htm, which gives detail on rules and processes common to European countries, including Switzerland.

The British-Swiss Chamber of Commerce (BSCC) offers professional advice and services for UK companies in, or entering, the Swiss market. See: <http://www.bscc.co.uk/>.

The 'Help available for you' section provides further details on organisations which can offer you support in Switzerland.

In addition:

- In the latest report (2016), Switzerland was ranked 5th out of 176 countries in Transparency International's latest Corruption Perceptions Index (the UK ranked 10th): http://www.transparency.org/news/feature/corruption_perceptions_index_2016.
- Switzerland is ranked 33rd out of 190 in the World Bank's latest Ease of Doing Business Index (2018). The UK ranks 7th: <http://www.doingbusiness.org/data/exploreeconomies/switzerland>.
- The World Economic Forum's Global Competitiveness report 2017-18 ranks Switzerland 1st out of 137 (the UK is ranked 8th): <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/>.

You can contact a Department for International Trade (DIT) Switzerland export adviser at: <https://www.contactus.trade.gov.uk/enquiry/topic> for a free consultation if you are interested in exporting to Switzerland.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Switzerland, at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#switzerland>.

[Source – DIT/UKEF/gov.uk]

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