U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

Switzerland welcomes foreign investment and accords it national treatment. Foreign investment is not hampered by significant barriers. The Swiss Federal Government adopts a relaxed attitude of benevolent noninterference towards foreign investment, allowing the 26 cantons to set major policy, and confining itself to creating and maintaining general conditions favorable to both Swiss and foreign investors. Such factors include economic and political stability, a transparent legal system, reliable and extensive infrastructure, efficient capital markets and excellent quality of life in general. Many US firms base their European or regional headquarters in Switzerland, drawn to the country's low corporate tax rates, exceptional infrastructure, and productive and multilingual work force.

Switzerland was ranked as the world's most competitive economy according to the World Economic Forum's Global Competitiveness Report in 2013. The high ranking reflects the country’s sound institutional environment, excellent infrastructure, efficient markets and high levels of technological innovation. Switzerland has a developed infrastructure for scientific research; companies spend generously on R&D; intellectual property protection is generally strong; and the country’s public institutions are transparent and stable.

Many of Switzerland's cantons make significant use of fiscal incentives to attract investment to their jurisdictions. Some of the more aggressive cantons have occasionally waived taxes for new firms for up to ten years but this practice has been criticized by the European Union, which has requested the abolition of these practices. Individual income tax rates vary widely across the 26 cantons. Corporate taxes vary depending upon the many different tax incentives. Zurich, which is sometimes used as a reference point for corporate location tax calculations, has a rate of around 25%, which includes municipal, cantonal, and federal tax. The World Bank , in its “Doing Business” survey ranks Switzerland as the 29th most attractive destination for doing business in the world and 2nd on the IMD World Competitiveness Scoreboard. However, the approval on February 9, 2014 of an initiative to restrict the principle of free movement of citizens from the European Union may strain relations with the EU going forward. This could have negative economic consequences for Switzerland; the Swiss government is currently in discussions with the EU on this matter.

Some former public monopolies retain their historical market dominance despite partial or full privatization. Foreign investors can find it difficult to enter these markets due to high entry costs and the relatively small size of the Swiss market.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Switzerland welcomes foreign investment and accords it national treatment. Foreign investment is not hampered by significant barriers. No discriminatory effects on foreign investors or foreign-owned investments have been reported.

Other Investment Policy Reviews
[World Trade Organization: Trade Policy Review - Report by the Secretariat - August 16 2013 - Switzerland and Liechtenstein]

The report states that "the Swiss Constitution allows national and foreigners to operate business in Switzerland, to form a company or to hold an interest in one. […] Most economic sectors are open to investment by Swiss nationals and foreigners. However, investment restrictions continue to apply to areas under state monopolies, including certain rail transport services, some postal services, and certain insurance services and commercial activities (e.g. trade in salt). Restrictions (in the form of domicile requirements) are also applied in air and maritime transport, hydroelectric and nuclear power, operation of oil and gas pipelines, and transportation of explosive materials."

The same report states that "Liechtenstein has a stable and predictable investment regime. Most sectors are open to national and foreign investment, except for residency requirements; restrictions on the purchase of real estate; restrictions in production, trade, and transport of electricity, gas, and water (subject to state monopoly); and restrictions applied to a number of financial services (asset management, investment consulting, and assuming trusteeships) when these are provided on a professional basis by trustees or trust companies".

Laws/Regulations of FDI
The major laws governing foreign investment in Switzerland are the Swiss Code of Obligations, the Lex Friedrich/Koller, the Securities Law, and the Cartel Law. There is no screening of foreign investment. There are few sectoral or geographic preferences or restrictions. Several exceptions are described below in the section on performance requirements and incentives. Some former public monopolies retain their historical market dominance despite partial or full privatization. Foreign investors can find it difficult to enter these markets due to high entry costs and the relatively small size of the Swiss market.

Industrial Strategy
The WTO report concluded that "the high living standards, highly skilled labour force, flexible labour laws, reliable infrastructure, as well as relatively low levels of taxation, are considered to make Switzerland one of the most attractive locations for foreign direct investment (FDI) in the world."

Switzerland Global Enterprise is the Swiss government's federal-level agency promoting investments into Switzerland (http://www.s-ge.com). The 26 cantons independently promote investments into their territories and have individual strategies to attract investments. Some cities and regions also have their own economic development organizations.

Limits on Foreign Control
Foreign and domestic enterprises may engage in various forms of remunerative activities and may freely establish, acquire and dispose of interests in business enterprises. However, the following legal restrictions apply:

Corporate boards - - There are no laws authorizing private firms to limit or prohibit foreign investment or participation. The board of directors of a company registered in Switzerland must consist of a majority of Swiss citizens residing in Switzerland. At least one member of the board of directors authorized to represent the company (i.e., to sign legal documents) must be domiciled in Switzerland. If the board of directors consists of a single person, this person must have Swiss citizenship and be domiciled in Switzerland. Foreign controlled companies usually meet these requirements by nominating Swiss directors who hold shares and perform functions on a fiduciary basis. Mitigating these requirements is the fact that the manager of a company need not be a Swiss citizen and company shares can be controlled by foreigners (except for banks). The establishment of commercial presence by persons or enterprises without legal personality under Swiss law requires an establishment authorization according to cantonal law. The aforementioned requirements do not generally pose a major hardship or impediment for US investors.

Hostile takeovers - - Swiss corporate shares can be issued both as registered shares (in the name of the holder) or bearer shares. Provided the shares are not quoted on the stock exchange, Swiss companies may in their articles of incorporation impose certain restrictions on the transfer of registered shares to prevent unfriendly takeovers by domestic or foreign companies (article 685a of the Code of Obligations). Unwelcome takeovers can also be warded off by public companies, but legislation introduced in 1992 has made this practice more difficult. Public companies must now cite in their statutes significant reasons, relevant for the survival, conduct and purpose of their business, to prevent or hinder a takeover by an outsider. As a further measure, public corporations may limit the number of registered shares that can be held by any one shareholder to a certain percentage of the issued registered stock. In practice, many corporations limit the number of shares to 2-5% of the relevant stock. Under the public takeover provisions of the Stock Exchange and Securities Law (for which the implementing decree entered into effect in 1997), a formal notification is required when an investor purchases more than 3% of a Swiss company's shares. An "opt-out" clause is available for firms which do not want to be taken over by a hostile bidder, but such opt-outs must be approved by a super-majority of shareholders and well in advance of any takeover attempt (i.e., not to thwart an attempt already launched).
A reform of the corporation tax – implemented in early 2009 – reduces levies on dividends to investors with a stake of at least 10%. They are no longer taxed in full, but only at the rate of 50% for commercial investments and 60% for the private sector.

Banking - - The Swiss Federal Banking Commission (EBK), the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority were merged in January 2009 to form the Swiss Financial Market Supervisory Authority (FINMA). This body aims to instill confidence in the financial markets and protect customers, creditors and investors.

Those wishing to establish banking operations in Switzerland must obtain prior approval from FINMA. This is generally granted if the following conditions are met: reciprocity on the part of the foreign state; the foreign bank's name must not give the impression that the bank is Swiss; the bank must adhere to Swiss monetary and credit policy; and a majority of the bank's management must have their permanent residence in Switzerland. Otherwise, foreign banks are subject to the same regulatory requirements as domestic banks. Banks organized under Swiss law have to inform FINMA before they open up a branch, subsidiary or representation abroad. Foreign or domestic investors have to inform FINMA before acquiring or disposing of a qualified majority of shares of a bank organized under Swiss law. In case of exceptional temporary capital outflows threatening Swiss monetary policy, banks can be obliged to seek approval from the Swiss national bank to issue foreign bonds or other financial instruments that would cause capital outflow. On December 20, 2008 government protection of current accounts held in Swiss banks was raised from CHF 30,000 to CHF 100,000.

Insurance - - A federal ordinance requires the placement of all risks physically situated in Switzerland with companies located in the country. Therefore, it is necessary for foreign insurers wishing to provide liability coverage in Switzerland to establish a subsidiary or branch there. With the exception of those few sectors in which Swiss-owned enterprises have been granted a legally established monopoly (i.e., railways, fire insurance, and certain utilities), non-discriminatory competition between foreign and domestic commercial entities prevails.
Cartels and Monopolies - - Foreign investments are subject to review by the Federal Competition Commission if the value of the investing firm's sales reaches a certain worldwide or Swiss-market threshold. An investment or joint venture by a foreign firm can be disapproved on the grounds of competition policy, although there is no evidence that regulators have applied these rules in a discriminatory manner.

Competition Law

The Federal Competition Commission may initiate investigations against entities suspected of hampering competition and issues a decision in light of an analysis of the prevailing conditions of competition in the sector. Secondly, the so-called Price Controller, like the Competition Commission is formally part of the Ministry of Economy, Education and Research, can suggest or insist on price modifications in the area of radio and television, the federal railway system, postal services, water, waste removal, and the medical sector.

The WTO Trade Policy Review concluded that “legislation on competition has not changed substantially since 2004. Four main laws continue to regulate competition: the Federal Law on cartels and other impediments to competition of October 6, 1995 (Cartels Law, LCart, RS 251), amended in 2004; the Federal Law against unfair competition of October 22, 1992 (LCD, LR 24), amended in 2002; the Federal Law on the internal market of October 6, 1995 (LMI, RS 943.02), amended in 2006; and the Law on price surveillance of December 20, 1985 (LSPr), which allows price investigations by the Price Controller when competition is deemed to be lacking.”

Investment Trends

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	7 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation’s Economic Freedom index	2013	4 of 177	http://www.heritage.org/index/ranking

World Bank's Doing Business Report "Ease of Doing Business"	2013	29 of 189	http//doingbusiness.org/rankings
Global Innovation Index	2013	1 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 80,970	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Remittance Policies
There are no restrictions on, or difficulties in, converting, repatriating or transferring funds associated with an investment (including remittances of capital, earnings, loan repayments, lease payments, royalties) into a freely usable currency and at the a legal market clearing rate.

Currency Manipulation
The U.S. Department of Treasury concluded in its semi-annual report to Congress on International Economic and Exchange Rate Policies on April 15, 2014 that "the Swiss authorities faced a constrained policy environment as external forces pushed the economy into deflation in the summer 2011. In September 2011, after a number of alternate policy measures failed to achieve the Swiss National Bank's (SNB) monetary policy objectives, it established a minimum exchange rate ("floor") of 1.20 Swiss francs per euro, temporarily changing the exchange rate regime from a floating to a managed rate. Through 2012 the SNB intervened repeatedly to prevent the franc form appreciating. […] The SNB continues to reaffirm its commitment to a managed rate, noting that it is prepared to buy foreign currency in unlimited quantities to enforce the 1.20 exchange rate.

Since establishing the exchange rate floor, the SNB's foreign reserve assets have increased by $172 billion on a headline basis, and now total $492 billion as of February 2014. […]
The exchange rate floor has contributed to the reduction of deflation and overall economic stability. Once economic conditions normalize, a return to a freely floating currency would be desirable."

3. Expropriation and Compensation

There are no known cases of expropriation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts
The organization of the judiciary differs from canton to canton. The larger the canton the more courts of first instance one finds. In smaller cantons, there is usually one. All the cantons have

established a high court, but only four cantons (Zurich, Bern, St. Gallen and Aargau) have a specialized commercial court that is part of the high court. There are no specialized courts on matters related solely to intellectual property rights. The verdicts of the cantonal high courts can be appealed at the level of the Swiss Supreme Court. The court system is independent, competent and substantively fair.

Switzerland is party to a number of bilateral and multilateral treaties governing the recognition and enforcement of foreign judgments. Due to its close ties with the European Union, a multilateral treaty, the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (also called the Lugano Convention) entered into force on January 1, 201,1 replacing an older legal framework with the same name. A set of bilateral treaties is also in place dealing with judgments of foreign courts. There is no such agreement in place addressing the enforcement of judgments of foreign courts between the U.S. and Switzerland.

Bankruptcy
The World Bank's "Doing Business" survey ranks Switzerland as 47th out of 189 countries when it comes to resolving insolvency. The average time to close a business in Switzerland amounts to three years (as opposed to 1.7 years in the OECD) and 47.6 cents on the dollar are recovered by the claimants from the insolvent firm (as opposed to 70.6 cents in the OECD).

The Swiss Federal Statute on Private International Law (PILS, articles 166-175, in force since January 1, 1989) governs the recognition in Switzerland of foreign insolvency proceedings, including bankruptcies, foreign compositions and arrangements. Swiss law requires reciprocity on matters of the recognition of foreign insolvency orders and foreign administrators in Switzerland.

Investment Disputes
No investment disputes have been recorded involving U.S. or foreign entities in Switzerland in the past 10 years**.**

ICSID Convention and New York Convention
Switzerland is a member of the ICSID Convention since June 14, 1968 (entry into force of the convention) and member of the New York Convention since June 1, 1965 (ratification).

Duration of Dispute Resolution
The duration of dispute resolution depends on the parties. If a party appeals the decision of a first instance court and the (cantonal) high court up to the Supreme Court, a verdict may take one to two years.

5. Performance Requirements and Investment Incentives

WTO/TRIMS
The U.S. and Switzerland have only been on opposite sides of a WTO dispute once, when Switzerland (with other complainants) complained about the U.S. on matters related to Definite

Safeguard Measures on Imports of Certain Steel Products. In December 2003, these safeguards were abolished by the U.S. The U.S. has never acted as a complainant against Switzerland in the framework of WTO.

Investment Incentives

The WTO Trade Policy Review notes "[b]oth Switzerland and Liechtenstein have a strong, export-oriented industrial base. Switzerland has a policy to support research and improve framework conditions for all economic sectors but it does not adhere to a policy of national champions. There are no cash subsidies in place to specific manufacturing industries other than measures open to all companies." Investment incentives are in the competence of the cantons and apply for domestic as well as foreign investors. Various tax privileges exist at the cantonal level for holding companies and mixed companies (for instance in rural areas). These companies remain, however, subject to ordinary taxation at the federal level.

Research and Development

Scholars and artists from the U.S. can apply to the State Secretariat for Education and Research for Swiss Government Excellence Scholarships. The Swiss National Fund's strategy states "universities, governments and research funding bodies negotiate and implement co-operation agreements with the aim of supporting the international component of research and creating an institutional framework to promote co-operation." Switzerland has various instruments in place to promote research and innovation such as the national institutions for research and innovation promotion, the National Centres of Competences in Research (NCCR), the National Research Programmes (NRP) or the Research in Swiss Government Departments.

Data Storage

There is no "forced localization" laws designed to force foreign investors to use domestic content in goods or technology (i.e. storage of data within Switzerland). Businesses need to be aware that Switzerland follows strict privacy laws and certain data may not be legally collected in Switzerland as they are deemed personal and particularly "worthy of protection." The collection of certain data may need to be registered at the office of the Federal Data Protection and Information Commissioner (FDPIC).

6. Right to Private Ownership and Establishment

There is a right for foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity

7. Protection of Property Rights

Real Property

Interests in property is recognized and enforced.

Intellectual Property Rights

Switzerland effectively enforces intellectual property rights linked to patents and trademarks. However, since 2010 Swiss authorities have not vigorously enforced copyright on the internet, due to an interpretation of a court verdict in September 2010 (the so-called *Logistep* case). The

Swiss High Court ultimately ruled in this case that internet protocol addresses were particularly worthy of protection and may not be used generally to identify violators of copyright on the internet. Although uploading of copyright-protected material remains *de jure* illegal, it has become *de facto* legal as prosecutors have generally refused to engage into any legal proceedings against alleged violators during the past three years. The relevant government authorities, including the Institute of Intellectual Property and the Federal Council may address this issue in the first half of 2014.

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English speaking lawyers in Switzerland

WIPO Country Profile: http://www.wipo.int/members/en/details.jsp?country_id=33

8. Transparency of the Regulatory System

The Swiss government uses transparent policies and effective laws to foster competition. Proposed laws and regulations are open for public comment (including interested parties, interest groups, cantons and cities) then discussed within the bicameral parliamentary system and may be subject to facultative or automatic referenda that allow the Swiss voters to reject or accept the proposals.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

Switzerland has a highly developed and sound banking system that provides credit to market terms. There is an effective regulatory system established to encourage and facilitate portfolio investment. Domestic and foreign bidders are treated equally when it comes to hostile takeovers.

10. Competition from State-Owned Enterprises

OECD Guidelines on Corporate Governance of SOEs

The five Swiss State-Owned Enterprises (SOEs) in federal ownership are active in the areas of ground transportation (travel), information and communication, defense and aerospace (services) and are typically undertaking "public function mandates," but may also cover some hybrid activities (i.e. Swisscom in the area of telecommunications). The five companies, in which the Swiss Confederation is either the largest shareholder or the sole shareholder, are CFF, Swisscom, Skyguide, Swiss Post and Ruag. Other SOEs controlled by the cantons are active in the areas of energy and water supply and a number of subsectors. SOEs may benefit from exclusive rights and privileges (some of them are listed in the WTO Trade Policy Review in Table A3.1). The SOEs typically closely interact with private industry and are also active in foreign markets (i.e. Swisscom and Ruag). Generally, private sector competitors can compete with SOEs under the same terms and conditions with respect to access to markets, credit, and other business operations.

The OECD stressed in 2011 that Switzerland had adhered to the OECD Guidelines on Corporate Governance for SOEs. In its 2013 report the OECD concluded in another report that "in Switzerland the board [of SOEs] has the legal role of proposing the final candidate(s) to the AGM [Annual General Meeting] for appointment. For fully-owned SOEs, the Federal Council (executive authority), as the sole shareholder, decides on the nominees. Nevertheless, the board has a strong role in identifying potential nominees. When vacancies arise the Chair and/or board committee develop a requirement profile for board members and specifically define the board's needs in new appointments."

Swiss SOEs publish annual reports and report every year to the Federal Council on the achievement of their strategic goals. While consulting with the competent ministries the Federal Council approves the reports from the SOEs and their annual budget. The Swiss parliament then considers whether the Federal Council has supervised the SOEs appropriately.

Sovereign Wealth Funds

Switzerland does not have a Sovereign Wealth Fund (SWF) or an asset management bureau (AMB).

11. Corporate Social Responsibility

OECD Guidelines for Multinational Enterprises

The Swiss government actively promotes the OECD Guidelines for Multinational Enterprise or the United Nations Guiding Principles on Business and Human Rights.

In 2014 Switzerland was ranked 1st out 100 countries evaluated in the Environment Performance Index (EPI), and labor laws are respected.

In 2014, according to the World Bank Doing Business report, Switzerland only ranked 170th out of 189 rankings in the field of investor protection. This surprisingly low score has not damaged Switzerland's reputation as a major business hub and as one of the strongest economies in Europe. This is likely because of the particular methodology applied by the World Bank, and can be explained by the lack of disclosure obligations in Switzerland in general (i.e. transactions performed by the company, conflict of interests) and the lack of ease for shareholders to file suits.

12. Political Violence

Political violence is very rare in Switzerland.

The most prominent act in the recent years happened on April 1, 2011 when a letter bomb exploded and targeted employees of a lobbying organization promoting nuclear power. The militant attack is assumed to have been orchestrated by elements of an international anarchist network having also targeted Swiss embassies in the past. Nuclear power has contributed to the radicalization of certain small groups within Switzerland advocating for the immediate closure of the country's nuclear plants.

13. Corruption

UN Anticorruption Convention, OECD Convention on Combating Bribery
Switzerland ratified the UN Anticorruption Convention on September 24, 2009 and signed the OECD Anti-Bribery Convention in 1997. It entered into force on May 1, 2000.

Switzerland has an effective legal and policy framework to combat domestic corruption. Laws are enforced effectively. US firms investing in Switzerland have not complained of corruption to the Embassy in recent years. Corruption is reportedly not pervasive in any area or sector of the Swiss economy. Switzerland maintains effective investigative and enforcement procedures to combat domestic corruption. The giving or accepting of bribes in Switzerland is subject to criminal and civil penalties, including imprisonment up to five years.

In February 2001, Switzerland signed the Council of Europe's Criminal Law Convention on Corruption and in December 2003 it signed the UN Convention against Corruption. In order to implement the Convention, the Parliament amended the Penal Code to make bribery of foreign public officials an offense (Title Nineteen "Bribery", Articles). These amendments entered into force on May 1, 2000. In accordance with the revised 1997 OECD Anti-Bribery Convention, Parliament amended the legislation on direct taxes of the Confederation, cantons and townships so as to prohibit the tax deductibility of bribes. These amendments became effective on January 1, 2001.

Under Swiss law, officials are urged not to accept anything that would "challenge their independence and capacity to act." According to the law, the range of permissible receipt of "individual advantages" is a sliding scale, depending on the role of the official. Some officials may receive no advantages at all (e.g., those working for financial regulators) to several hundred Swiss Francs. The upper-limit value of presents such as bottles of champagne and watches is a grey area that varies according to department and canton. Transparency International believes a maximum sum valid at the federal level should be fixed. Some multinationals have assisted with the fight against corruption by setting up internal hotlines to enable staff to report problems anonymously.

The law provides criminal penalties for official corruption, and the government generally implements these laws effectively. Investigating and prosecuting government corruption is a federal responsibility. A majority of cantons also require members of cantonal parliaments to disclose their interests. A joint working group comprising representatives of various federal government agencies works under the leadership of the Federal Department of Foreign Affairs to combat corruption.

Switzerland ratified the Council of Europe's Criminal Law Convention on Corruption on July 1, 2006. Switzerland's penal code was amended so that foreign diplomatic staff and members of international organizations can be brought to court if they accept bribes.
On September 24, 2009, Switzerland ratified the United Nations Convention against Corruption. Government experts believe this ratification will not result in significant changes since passive and active corruption of public servants is already considered a crime under the Swiss Criminal Code (Art. 322).

In October 2013, the Group of States against Corruption (GRECO, Council of Europe) welcomed Switzerland's efforts in its Third Evaluation Round - Compliancy Report. However, GRECO concluded "that the current low level of compliance with the recommendations is 'globally unsatisfactory' with the meaning of Rule 31, paragraph 8.3 of the Rules of Procedure." Areas which needed particular attention were transparency of party funding, criminalization of trading in influence, and the dual criminality requirement, for which Switzerland wishes to maintain its reservations and declarations on the relevant articles in the Criminal Law Convention on Corruption.

A number of federal administrative authorities are involved in combating bribery. The State Secretariat for Economic Affairs deals with issues relating to the OECD Convention, the Federal Office of Justice with those relating to the Council of Europe Convention, and the Department of Foreign Affairs with the UN Convention. The power to prosecute and judge corruption offenses is shared between the cantons and the Confederation. For the Confederation, the competent authorities are the Office of the Attorney General, the Federal Criminal Court and the Federal Police ("Fedpol"). In the cantons, the relevant actors are the cantonal judicial authorities and the cantonal police forces.

Resources to report corruption:

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14. Bilateral Investment Agreements

Bilateral Taxation Treaties

To date, Switzerland has concluded numerous investment protection treaties with developing and emerging market economies. Around 115 remain in force.
Switzerland concluded an Income Tax Treaty with the U.S. in 1996. A 2009 Protocol to this Treaty has been ratified by Switzerland, but not yet by the U.S. Senate.

15. OPIC and Other Investment Insurance Programs

Switzerland has not signed an investment protection agreement with any Western European country or the United States.

OPIC is not active in Switzerland. However, Switzerland is a member of the Multilateral Investment Guarantee Agency .

16. Labor

The Swiss labor force is highly educated and skilled. Foreigners not only fill low-skilled, low-wage jobs, but also highly technical positions in the manufacturing and service industries. Roughly 29% of the estimated labor force of approximately 4.9 million people is foreign. Many foreign nationals are long-time Swiss residents who have not applied for or been granted Swiss citizenship. Only 3.3% of the workforce is employed in agriculture, where foreign "seasonal workers" take many low-wage jobs.

The Swiss economy is capital intensive and geared toward high value-added products and services. Wages in Switzerland are among the highest in the world.

The prohibition on strikes by federal public servants was repealed in 2000. The Federal Council may only restrict or prohibit the right to strike where it affects the security of the state, external relations, or the supply of vital goods to the country. Civil servants in a few cantons and municipalities are still denied the right to strike.

Switzerland is in compliance with ILO conventions. Government regulations cover maximum work hours, minimum length of holidays, sick leave and compulsory military service, contract termination, and other requirements. However, there is no minimum wage law. Employees in the retail sector and in restaurants, bars, and the like, in cooperation with other interests, have been successful in slowing reform of the restrictive federal and cantonal laws governing opening hours. Shop-hour restrictions are nevertheless loosening gradually in centers such as Zurich, Geneva, and Bern.

Swiss voters narrowly accepted in 2005 the revision of the Swiss Federal labor law in order to provide for flexible working hours, such as Sunday openings in major railway stations and airports. The new regulation entered into force on April 1, 2006. Shopping hours outside of airports and railway stations remain regulated by cantonal laws. In a national initiative, Swiss voters on February 9, 2014 decided to abolish the principle of free movement for citizens of the European Union and to return to a quota regime to be able to limit immigration. In summer 2014, the Swiss Federal Council will publish proposals on how to implement this initiative that could potentially impact the Swiss labor market as it could become harder for companies within Switzerland to recruit labor from the EU market.

Approximately one-fourth of the country's full-time workers are unionized. In general, labor/management relations are good, with a willingness on both sides to settle disputes by negotiations rather than by labor action. Some 606 collective agreements exist today in Switzerland (of which approximately 1% concern the agriculture sector, 39% the secondary sector and 60% the third sector) and are usually renewed without major problems. Since 2002, trade unions have complained that too little of the Swiss labor force is covered by collective agreements. Although days lost to strikes in Switzerland are among the lowest in the OECD, Swiss trade unions have encouraged workers to go on strike on several occasions in recent years. At the macro level, salaries increased by 1.5% in 2012.

The average unemployment rate amounted to 4.5% in 2013 (according to the ILO method of calculation). The average unemployment rate was 9.4% for foreigners and 3.1% for Swiss citizens. All cantons bordering EU countries suffer higher unemployment rates than the rest of Switzerland. Other cantons enjoy a better situation. Young workers aged 15-24 and persons aged between 25 and 39 were faced unemployment rates of 8.5% and 4.9%, respectively, in 2013.

17. Foreign Trade Zones/Free Ports

Swiss international airports have stores offering duty free shopping. Private companies can utilize duty-free warehouses to import goods tax and duty free into Switzerland as long as the goods are subsequently re-exported to third countries. In each of these examples, foreign-owned companies receive the same treatment as domestic firms. These warehouses have undergone significant expansions in recent years and may become the target for foreign tax authorities concerned with their role in abetting tax evasion and money laundering.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source: [State Secretariat for Economic Affairs]	USG or international statistical source	USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)

Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	584,007	2012	631,200	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical sources* Swiss National Bank State Secretariat for Economic Affairs		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	92,571	2012	130,315	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	214,723	2012	203,954	OECD Stat Extracts • FDI positions by partner country (reporting country U.S.)
Total inbound stock of FDI as % host GDP (***calculate)***	2012	123	2011	89	OECD iLibrary • Outward and inward FDI stocks World Bank Data 2011

Statistical discrepancies
The significant statistical discrepancies are due to different methodologies when measuring foreign direct investment.

As the OECD Benchmark Definition of Foreign Investment concludes there “are two possible approaches to identify the home country (of the direct investor) for inward FDI and the host country (of the direct investment enterprise) for outward FDI:

i) by immediate host country/investing country (IHC/IIC)
ii) by ultimate host country/ultimate investing country (UHC/UIC)”

Switzerland uses the immediate investing country approach (IIC) and the U.S. uses the more complex ultimate investing country approach (UIC). The OECD report explains in great detail how the two different approaches generate different figures.

TABLE 3: Sources and Destination of FDI

TABLE 4: Sources of Portfolio Investment

Portfolio Investments Assets ***Switzerland, June 2013*** **Source: IMF**		
Top Five Partners (Millions, US Dollars)		
Total	Equity Securities	Total Debt Securities

Foreign Direct Investment from/ in Counterpart Economy Data ***Switzerland, 2012*** Source: IMF					
From Top Five Sources/ To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total inward	728,499	100%	Total outward	1,137,208	100%
Netherlands	179,163	25%	United States	199,920	18%
Luxembourg	145,929	20%	Luxembourg	122,029	11%
United States	94,622	13%	Netherlands	81,173	8%
Austria	68,427	9%	United Kingdom	89,865	8%
France	40.019	5%	Germany	58,073	5%
"0" reflects amounts rounded to +/- USD 500,000					

World	1,152,606	100%	World	498,286	100%	World	654,320	100%
United States	181,081	16%	Luxembourg	138,813	28%	United States	89,528	14%
Luxembourg	160,772	14%	United States	91,553	18%	France	66,651	10%
France	89,308	8%	Ireland	32,328	6%	Netherlands	66,648	10%
Germany	83,206	7%	Germany	32,072	6%	Germany	51,134	8%
Netherlands	74,109	6%	Cayman Islands	30,721	6%	United Kingdom	38,486	6%

Liechtenstein

Liechtenstein's investment conditions are virtually identical in most key aspects to those in Switzerland, due to its intimate links with the Swiss economy. The two countries have a customs union, for example, and Swiss authorities are responsible for implementing import and export regulations. Liechtenstein has a stable and open economy that has created almost 38,000 jobs exceeding the country's domestic population of 37,000 – requiring a substantial number of foreigners (mainly Swiss and Austrians) to fill many of these jobs. It is also a very wealthy country – when adjusted for purchasing power parity, its per capita gross domestic product (GDP) is the highest in the world. According to the Liechtenstein Statistical Yearbook , the tertiary sector creates 56% of Liechtenstein's jobs, particularly in the finance sector, followed by the secondary sector (especially manufacturing tools, precision instruments, and dental products), which employs 43% of the work force. Agriculture accounts for less than 1% of the country's jobs.

The country reformed its tax system in 2011. The corporate tax rate, at 12.5%, is one of the lowest in Europe. Capital gains, inheritance, and gift taxes have been abolished. The Embassy has no recorded complaints from US businesses stemming from market restrictions in Liechtenstein.

19. Contact Point at Post for Public Inquiries

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