

SWITZERLAND



FOREIGN RELATIONS: On September 10, 2002, Switzerland became a full member of the United Nations. Switzerland had previously been involved as party to the Statute of the International Court of Justice and member of most UN specialized agencies, as well as the International Atomic Energy Agency. Switzerland has long participated in many UN activities, including the Economic Commission for Europe, UN Environment Program, the UN High Commissioner for Refugees, UN Educational, Scientific and Cultural Organization, UN Conference for Trade and Development, UN Industrial Development Organization, and the Universal Postal Union (UPU). Prior to its formal accession, Switzerland had maintained a permanent observer mission at UN Headquarters since 1948.

Switzerland also is a member of the following international organizations: World Trade Organization, Organization for Economic Cooperation and Development, European Free Trade Association, Bank for International Settlements, Council of Europe, and Organization for Security and Cooperation in Europe (OSCE). In 1992, Swiss voters approved membership in the Bretton Woods organizations but later that year rejected the European Economic Area agreement, which the government viewed as a first step toward EU membership.

The Swiss Constitution declares the preservation of Switzerland's independence and welfare as the supreme objective of Swiss foreign policy. Below this overarching goal, the Constitution sets five specific foreign policy objectives: further the peaceful coexistence of nations; promote respect for human rights, democracy, and the rule of law; promote Swiss economic interests abroad, alleviate need and poverty in the world; and the preservation of natural resources.

Traditionally, Switzerland has avoided alliances that might entail military, political, or direct economic action, but in recent years the Swiss have broadened the scope of activities in which they feel able to participate without compromising their neutrality. Swiss voters first rejected UN membership by a 3-to-1 margin in 1986 but in March 2002 adopted it, albeit in a very close election, making Switzerland the first country to join the UN based on a popular referendum decision. In similar fashion, the electorate rejected a government proposition to deploy Swiss troops as UN peacekeepers (Blue Helmets) in 1994, but Switzerland joined NATO's Partnership for Peace and the Euro-Atlantic Partnership Council in 1996 and 1997, respectively, and deployed Yellow Berets to support the OSCE in Bosnia. In June 2001, Swiss voters approved new legislation providing for the deployment of armed Swiss troops for international peacekeeping missions under UN or OSCE auspices as well as closer international cooperation in military training.

Switzerland maintains diplomatic relations with almost all countries and historically has served as a neutral intermediary and host to major international treaty conferences. The country has no major dispute in its bilateral relations. Since 1980, Switzerland has represented U.S. interests in Iran. Switzerland played a key role in brokering a truce agreement between the Sudanese Government and Sudan's Peoples

Liberation Army (SPLA) for the Nuba Mountain region, signed after a week's negotiations taking place near Lucerne in January 2002. In 2008, Switzerland agreed to represent Russia in Georgia as well as Georgia in Russia.

Switzerland (mainly Geneva) is home to many international governmental and nongovernmental organizations, including the International Committee of the Red Cross (whose flag is essentially the Swiss flag with colors reversed--the Red Cross historically being a Swiss organization). One of the first international organizations, the Universal Postal Union, is located in Bern.

The Swiss Government on June 25, 2003, eased most of the sanctions against the Republic of Iraq in accord with UN Security Council Resolution (UNSCR) 1483. The government lifted the trade embargo, flight restrictions, and financial sanctions in place since August 1990. The weapons embargo and the asset freeze, the scope of which was extended, remain in force, and restrictions on the trade in Iraqi cultural goods were newly imposed. Though not a member at the time, Switzerland had joined UN sanctions against Iraq after the invasion of Kuwait. Switzerland in recent years joined UN and EU economic sanctions imposed on Sierra Leone, UNITA (Angola), Liberia, Serbia and Montenegro, Burma, Zimbabwe, Sudan, Democratic Republic of the Congo, and Cote d'Ivoire. On October 15, 2003, the Federal Council ended the import restrictions on raw diamonds from Sierra Leone and lifted sanctions against Libya.

Switzerland in October 2000 implemented an ordinance to enforce UN sanctions against the Taliban (UNSCR 1267), which it subsequently amended in April 2001 in accord with tighter UN regulations (UNSCR 1333). On May 2, 2002, the Swiss Government eased the sanctions regime in accord with UNSCR 1388 and 1390, lifting the ban on the sale of acetic acid (used in drug production), Afghani Airlines, and Afghani diplomatic representations. The weapons embargo, travel restrictions, and financial sanctions remain in force. The Swiss Government in November 2001 issued an ordinance declaring illegal the terrorist organization al Qaeda as well as possible successor or supporting organizations. More than 200 individuals or companies linked to international terrorism have been blacklisted to have their assets frozen. Thus far, Swiss authorities have blocked about 35 accounts totaling 20 million francs. Switzerland has furnished military observers and medical teams to several UN operations. Switzerland is an active participant in the OSCE, its foreign minister serving as Chairman-in-Office for 1996. Switzerland also is an active participant in the major nonproliferation and export control regimes.

Under a series of treaties concluded after World War I, Switzerland assumed some responsibilities for the diplomatic and consular representation of Liechtenstein, the protection of its borders, and the regulation of its customs.

U.S.-SWISS RELATIONS: Switzerland is a democratic country subscribing to most of the ideals with which the United States is identified. The country is politically stable with a fundamentally strong economy. It occupies an important strategic position within Europe and possesses a strong military capability. It has played an increasingly important role in supporting the spread of democratic institutions and values worldwide, as well as providing humanitarian relief and economic development assistance.

U.S. policy toward Switzerland takes these factors into account and endeavors to cooperate with Switzerland to the extent consistent with Swiss neutrality.

The first 4 years of cooperation under the U.S.-Swiss Joint Economic Commission (JEC) invigorated bilateral ties by recording achievements in a number of areas, including consultations on anti-money laundering efforts, counter-terrorism, and pharmaceutical regulatory cooperation; an e-government conference; and the re-establishment of the Fulbright student/cultural exchange program.

The United States and Switzerland signed three new agreements in 2006 that complement the JEC and deepen our cooperation and improve our relationship. The first of the agreements is the Enhanced Political Framework and was signed by Under Secretary of State for Political Affairs Nicholas Burns and Swiss State Secretary Michael Ambuhl. The second agreement is the Trade and Investment Cooperation Forum and was signed by U.S. Trade Representative Robert Portman and Economics and Trade Minister Joseph Deiss. The last agreement is the revised Operative Working Arrangement on Law Enforcement Cooperation on Counterterrorism and was signed by U.S. Attorney General Alberto Gonzalez and Swiss Justice Minister Christoph Blocher.

The first official U.S.-Swiss consular relations were established in the late 1820s. Diplomatic relations were established in 1853. The U.S. ambassador to Switzerland also is accredited to the Principality of Liechtenstein

PEACE AND SECURITY: Switzerland has a militia army. The armed forces have a small nucleus of about 4,200 professional staff, half of whom are either instructors or staff officers, with the remainder mostly being fortification guards. The army has virtually no full-time active combat units but is capable of full mobilization within 72 hours. Women may volunteer to serve in the armed forces and may now join all units, including combat troops; currently 1,050 women are active-duty members of the Swiss military.

The major military transformations, connected to the “Army XXI” program initiated in 2004, are still in progress. The goals for 2008 were “consolidation and improvement of quality.” The “Development Stage 08/11,” the program concerning reforms for 2008-2011, was approved by parliament in 2007. The general strategy is a reduction of the size of the military while maintaining a high quality of knowledge and equipment standards.

The Development Stage 08/11 also involves an increase of military personnel for overseas deployments, such as peacekeeping missions and disaster relief. In 2007, the Swiss parliament approved a doubling of Peace Support Operations (PSO) troops from 250 to 500. Further, an increase of cooperation with civilian authorities is anticipated, e.g., with the police and the border watch corps. Four new “military police regions” have been created, which will cooperate more closely with the regional security partner organizations.

Switzerland has been a Partnership for Peace (PfP) member since 2006. Each year, Switzerland proposes to NATO an Individual Partnership Program (IPP), where the objectives, priorities, and potentials of the Swiss participation in PfP are defined

GOVERNING JUSTLY AND DEMOCRATICALLY: Switzerland is a federal state composed of 26 cantons (20 are "full" cantons and six "half" cantons for purposes of representation in the federal legislature) that retain attributes of sovereignty, such as fiscal autonomy and the right to manage internal cantonal affairs. Under the 2000 Constitution, cantons hold all powers not specifically delegated to the federation. Switzerland's federal institutions are:

- A bicameral legislature--the Federal Assembly;
- A collegial executive of seven members--the Federal Council; and
- A judiciary consisting of a regular court in Lausanne--the Federal Tribunal--and special military and administrative courts. The Federal Insurance Tribunal is an independent division of the Federal Tribunal that handles social security questions; its seat is in Lucerne. The Federal Criminal Court, located in Bellinzona, is the court of first instance for all criminal cases under federal jurisdiction.

The Constitution provides for separation of the three branches of government.

The Federal Assembly is the primary seat of power, although in practice the executive branch has been increasing its power at the expense of the legislative branch. The Federal Assembly has two houses--the Council of States and the National Council. These two houses have equal powers in all respects, including the right to introduce legislation. Legislation cannot be vetoed by the executive nor reviewed for constitutionality by the judiciary, but all laws (except the budget) can be reviewed by popular referendum before taking effect. The 46 members of the Council of States (two from each canton and one from each half canton) are directly elected in each canton by majority voting. The 200 members of the National Council are directly elected in each canton under a system of proportional representation. Members of both houses serve for 4 years.

The Federal Assembly meets quarterly for 3-week plenary sessions. The parliamentary committees of the two houses, which are often key in shaping legislation, meet behind closed doors, but both majority and minority positions are presented during the plenary sessions. The Federal Assembly is a militia parliament, and members commonly retain their traditional professions. Individual members of parliament have no personal staff.

The Assembly can be legally dissolved only after the adoption of a popular initiative calling for a complete revision of the Constitution. All citizens 18 or older have the right to vote and run for office in national, cantonal, and communal elections unless individually disqualified by the relevant legislature.

A strong emphasis on ballot votes arises out of the traditional Swiss belief that the will of the people is the final national authority. Every constitutional amendment adopted by parliament is automatically brought to the ballot and has to carry a double majority of votes and states in order to become effective. The voters themselves may actively seek changes to the Constitution by means of the popular initiative:

100,000 voters may with their signatures request a national vote on a proposed constitutional amendment. New federal legislation also is subject to popular review, under the so-called referendum: 50,000 signatures suffice to call a ballot vote on any federal law adopted by parliament. The Assembly can declare an act to be too urgent to allow time for popular consideration, but this is rare. At any rate, an act passed urgently must have a time limit and is later subject to the same constitutional provisions on popular review as other legislation.

The top executive body is the seven-member cabinet called the Federal Council. The Federal Assembly individually elects the seven Federal Councilors in a joint session of both houses at the opening of a new legislature. Federal Councilors are elected for 4-year terms; there are no term limits and no provision to recall the cabinet or individual members during the legislature. Each year, the Federal Assembly elects from among the seven Federal Councilors a president and vice president, following the principle of seniority. The member who is vice president one year traditionally is elected president the next. Although the Constitution provides that the Federal Assembly chooses and supervises the cabinet, the latter has gradually assumed a preeminent role in directing the legislative process as well as executing federal laws.

Under an arrangement between the four major parties called the "magic formula" which was introduced in 1959 but ended in December 2003, two Federal Councilors (ministers) were elected each from the Christian Democrats, the Social Democrats, and the Free Democrats and one from the Swiss People's Party. Under the new magic formula starting January 1, 2004, the new party composition of the cabinet changed to the following composition: 1 Christian Democrat, 2 Social Democrats, 2 Free Democrats, and 2 representatives of the Swiss People's Party.

The Constitution requires that Federal Councilors act collectively in all matters, not as individual ministers or as representatives of their parties. Each Councilor heads one of seven federal departments and is responsible for preparing legislation pertaining to matters under its jurisdiction. The president, who remains responsible for the department he heads, has limited prerogatives and is first among equals (there is no formal prime minister).

The administration of justice is primarily a cantonal function. The Federal Tribunal is limited in its jurisdiction. Its principal function is to hear appeals of civil and criminal cases. It also hears complaints of violations of the constitutional rights of citizens and has authority to review cantonal court decisions involving federal law as well as certain administrative rulings of federal departments. However, it has no power to review federal legislation for constitutionality. The Tribunal's 30 full-time and 30 part-time judges are elected by the Federal Assembly for 6-year terms. The Federal Criminal Court is the court of first instance for criminal cases involving organized and white-collar crime, money laundering, and corruption, which are under federal jurisdiction. The Court's 11 judges are elected by the Federal Assembly for 6-year terms.

The cantons regulate local government. The basic unit of local government, which administers a village, town, or city, is the commune or municipality. Citizenship is derived from membership in a commune and can be conferred on non-Swiss by a commune. Cantons are subordinate to federal authority but keep autonomy in implementing federal law.

INVESTING IN PEOPLE: Switzerland sits at the crossroads of several major European cultures, which have heavily influenced the country's languages and cultural practices. Switzerland has four official languages--German, French, Italian, and Romansch (based on Latin and spoken by a small minority in the Canton Graubunden). The German spoken is predominantly a Swiss dialect, but newspapers and some media broadcasts use High German. Many Swiss speak more than one language. English is widely spoken, especially among the university educated.

More than 75% of the population lives in the central plain, which stretches between the Alps and the Jura Mountains and from Geneva in the southwest to the Rhine River and Lake Constance in the northeast. Resident foreigners and temporary foreign workers make up about 21% of the population.

According to the Swiss Federal Office of Statistics, the population in Switzerland was 7,593,500 at year-end 2007 (up from 7,509,000 at the start of the year), of which 1,602,000 were resident foreigners. Three-quarters of this growth was attributable to net immigration, largely from the European Union (EU). Switzerland naturalized 43,900 persons in 2007, or 6% fewer than in 2006. Roughly 60% of the foreigners residing in Switzerland are from European Union member countries, while, another 30% are from non-EU European countries. At year-end 2006, the largest groups were from Italy (293,000), Serbia and Montenegro (192,000), Portugal (174,000), Germany (174,000), and Turkey (74,000).

Almost all Swiss are literate. Switzerland's 12 universities enrolled 114,961 students in the academic year of 2006-2007, of which roughly 23% were foreigners. In addition, another 57,181 persons were studying at technical colleges and 42,383 were in other forms of higher education (e.g., specialized training academies). About 31% of the population aged 25-64 holds a diploma of higher learning.

The Constitution guarantees freedom of worship, and the different religious communities co-exist peacefully.

Switzerland consistently ranks high on quality of life indices, including per capita income, computer and Internet usage, insurance coverage, and quality of available health care. For these and many other reasons, it serves as an excellent test market for businesses hoping to introduce new products into Europe.

FOCUS ON PERFORMANCE: Switzerland has a stable government and a diverse society. Quadrennial national elections typically produce only marginal changes in party representation. In recent years, Switzerland has seen a gradual shift in the party landscape. The rightist Swiss People's Party (SVP), traditionally the junior partner in the four-party coalition government, almost tripled its share of the popular vote from 11% in 1987 to 22.5% in 1999, to 26.6% in 2003, and finally to 29% in October 2007, thus overtaking its three major rivals. In the 2007 parliamentary elections, the SVP picked up an additional seven seats in the 200-seat National Council (lower house). This brought the SVP to 62 seats total. The Greens gained more than 2 percentage points and seven seats in the National Council, bringing their total shares to 9.6% and 20 respectively. They also for the first time gained seats in the Council of States (upper house). The Christian Democratic Party (CVP) booked modest gains of 0.2% and three seats, for a total of 14.6% and 31 seats in the National Council. This halted a downward trend that had cost the CVP a seat on the Federal Council to the SVP in 2003. The FDP lost 1.7% and five seats in the

National Council, dropping to 15.6% of the voter-ship and 31 seats in the National Council. Total voter turnout was 48%, a gain of 2.8% over the 2003 elections.

On December 12, 2007, the center-left parliamentary caucuses refused to re-elect the SVP's Christoph Blocher (then-Justice Minister) to the Federal Council, and instead elected Eveline Widmer-Schlumpf, a SVP cantonal minister from Graubunden. As a result Eveline Widmer-Schlumpf was excluded from the SVP parliamentary caucus and joined instead the Conservative Democratic Party (CDP). On December 10, 2008, SVP Ueli Maurer was elected defense minister in replacement of former minister Samuel Schmid (CDP).

The Constitution limits federal influence in the formulation of domestic policy and emphasizes the roles of private enterprise and cantonal government. However, the Confederation has been compelled to enlarge its policymaking powers in recent years to cope with national problems such as education, agriculture, energy, environment, organized crime, and narcotics.

ECONOMIC GROWTH: Despite a dearth of natural resources, Switzerland is one of the world's most advanced and prosperous nations. Per capita income is among the highest in the world, as are wages. Trade has been the key to prosperity in Switzerland. The country is dependent upon export markets to generate income while dependent upon imports for raw materials and to expand the range of goods and services available in the country. Switzerland has liberal investment and trade policies, with the exception of agriculture, and a conservative fiscal policy. The Swiss legal system is highly developed; commercial law is well defined; and solid laws and policies protect investments. The Swiss franc is one of the world's soundest currencies, and the country is known for its high standard of banking and financial services. Switzerland is a member of a number of international economic organizations, including the World Trade Organization (WTO), the International Monetary Fund, the World Bank, and the Organization for Economic Cooperation and Development (OECD).

The Swiss economy expanded by an estimated 1.9% in 2008 (December over December basis), despite the global economic slowdown. GDP growth was primarily sustained by personal consumption, which rose by the same amount. Export industries benefited from slightly increased demand from foreign markets, despite a slight decline in the fourth quarter. In U.S.-Swiss bilateral trade, U.S. merchandise exports to Switzerland grew 38% in the first half of 2008 (over the same period in 2007), while imports from Switzerland rose 20%, resulting in a \$2.6 billion U.S. surplus in merchandise trade.

Switzerland was ranked as the second most competitive economy in the World Economic Forum's 2008 Global Competitiveness Report, reflecting the country's sound institutional environment, excellent infrastructure, efficient markets, competent macroeconomic management, world-class educational attainment, and high levels of technological innovation, which boost Switzerland's competitiveness in the global economy. The country has a well-developed infrastructure for scientific research. Companies spend generously on research and development (R&D), and intellectual property protection is strong. Business activity benefits from a well-developed institutional framework, characterized by the rule of law, an efficient judicial system, and high levels of transparency and accountability within public

institutions. Higher education and training are rapidly growing in importance as engines of productivity growth.

Being a nation that depends upon exports for economic growth, and due to the fact that it is so closely linked to the economies of Western Europe and the United States, Switzerland's economic growth mirrors slowdowns and growth spurts experienced in these countries. During most of the 1990s, the Swiss economy was Western Europe's weakest, with annual GDP growth averaging 0% between 1991 and 1997. Beginning in late 1997, the economy steadily gained momentum until peaking in 2000 with 3% growth in real terms. The economy returned to lackluster growth during 2001-2003, but began growing at or above potential since 2004--2.5% per annum--until the recent global economic crisis, which has already begun to negatively impact Switzerland's growth. Long-run economic growth, however, is predicated on structural reforms. In order to maximize its economic potential, Switzerland will need to push through difficult agrarian and competition policy reforms.

The economic upswing had some positive impact on the labor market, which has begun to fade due to the impact of the global financial crisis. Unemployment decreased from 4.1% in December 2003 to 1.5% in 2007, but increased again to 2.7% in December 2008. One-fourth of the country's full-time workers are unionized. In general, labor/management relations are good, mostly characterized by a willingness on both sides to settle disputes by negotiations rather than by labor action.

Tourism, banking, engineering, and insurance are significant sectors of the economy and heavily influence the country's economic policies. Swiss trading companies have unique marketing expertise in many parts of the world, including Eastern Europe, the Far East, Africa, and the Middle East. Not only does Switzerland have a highly developed tourism infrastructure (making it a good market for tourism-related equipment and services), the Swiss also are intrepid travelers. Per capita, more Swiss visit the United States every year than from any other country. In 2008, about 350,000 Swiss citizens came to the United States as tourists. Tourism is the most important U.S. export to Switzerland.

The Swiss economy earns roughly half of its corporate earnings from the export industry, and 62% of Swiss exports are destined for the EU market. The EU is Switzerland's largest trading partner, and economic and trade barriers between them are minimal. After more than 4 years of negotiations, an agreement known as the "Bilaterals I" covering seven sectors (research, public procurement, technical barriers to trade, agriculture, civil aviation, land transport, and the free movement of persons) entered into force on June 1, 2002. Switzerland has so far attempted to mitigate possible adverse effects of non-membership by conforming many of its regulations, standards, and practices to EU directives and norms. Full access to the Swiss market for the original 15 EU member states entered into force in June 2004, ending as a result the "national preference". The Swiss agreed to extend these preferences to the 10 new EU members on September 25, 2005, but restrictions remain until 2011. A referendum was held in February 2009 on the "Bilaterals I" and the extension of the free movement of persons to Romania and Bulgaria.

The Swiss Government embarked in July 2001 on a second round of bilateral negotiations with the EU known as "Bilaterals II". Talks focused on customs fraud, environment, statistics, trade in processed

agricultural goods, media, the taxation of savings, and police/judicial cooperation (dubbed the Schengen-Dublin accords). Amid a fierce political debate over the essence of Swiss-EU relations and populist warnings against EU workers and criminals entering Switzerland, the Schengen-Dublin package was approved on June 5, 2005 by 54.6% of Swiss voters and entered into force on December 12, 2008. Fears of cheap labor coming from new EU member states have prompted the government to provide for tripartite surveillance committees to ensure that decent wages are enforced. The Swiss federal government remains deeply divided over EU membership as its long-term goal, and in a March 2001 referendum more than 70% of Swiss voters rejected rapid steps toward EU membership. Switzerland nevertheless expressed interest in reaching a third layer of bilateral agreements that would involve energy, the Galileo satellite navigation system, health, and agriculture. But recent harsh criticism by the European Commission against preferential cantonal tax treatment for foreign holdings cooled the political climate with the EU.

The government also agreed on June 25, 2008 to propose an amendment of the Federal Law on Technical Barriers to Trade to permit implementation of the EU “Cassis-de-Dijon” principle. The proposed revision has not yet been debated in parliament. If adopted, all EU products could be imported into Switzerland without having to go through the burdensome Swiss certifications and Swiss languages requirements. Given that retail prices in Switzerland are frequently 20-30% higher than in the EU, the Swiss Government believes that domestic prices could drop by 10% if EU products could be imported through streamlined Swiss procedures. Possible opt-outs to the Cassis-de-Dijon Principle have already been reduced from 129 to 40 products, but hurdles on the remaining products, such as the Swiss regulations on the labeling of alcohol contained in alcopops, and the Swiss ban of phosphates in washing machine powders still remain.

The government has reaffirmed its wish to strengthen ties with other non-EU trading partners in Asia and America. Exploratory talks on a Free Trade Agreement between the U.S. and Switzerland failed to result in negotiations, due to Swiss problems with free trade in agriculture, but the two sides did agree to a new framework for economic, trade, and investment discussions. This new agreement is the Swiss-U.S. Trade and Investment Cooperation Forum (the "Forum") and is currently assessing areas where the two governments could facilitate greater trade and investment flows.

In the first half of 2008, Switzerland ranked 14th among the main U.S. export destinations and 26th as a source of imports. The United States is the second-largest importer (9.7%) of Swiss goods after Germany (20%). In addition, the United States is the largest foreign investor in Switzerland, and conversely, the largest single destination of Swiss foreign investment. It is estimated that 300,000 American jobs depend on more than \$150 billion in Swiss investments in the United States.