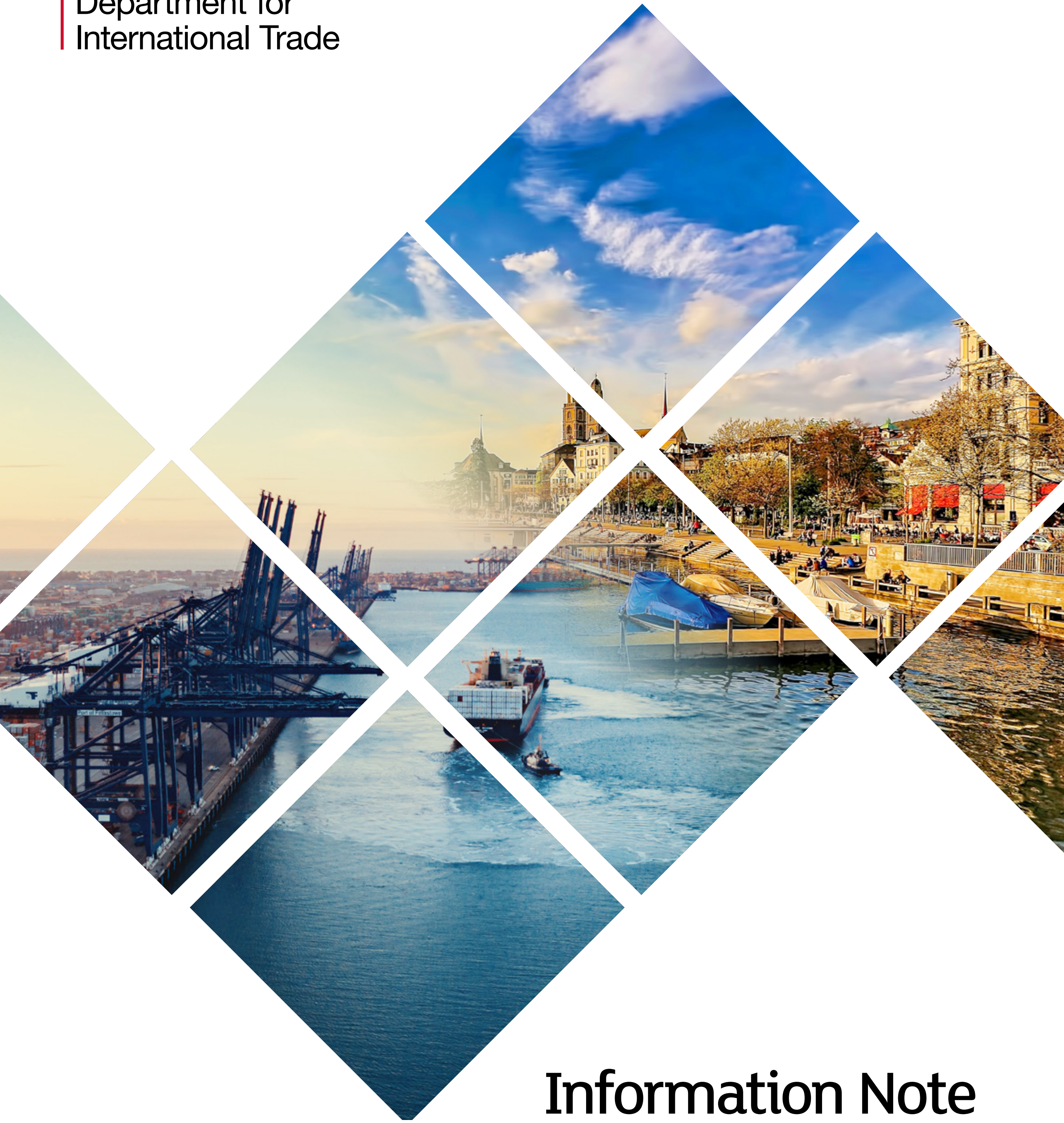
Department for
International Trade



Information Note

for the call for input on an Enhanced Free Trade Agreement between the United Kingdom and Switzerland

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1: Introduction

The Government's ambition is to secure free trade agreements (FTAs) with countries covering 80% of UK trade by the end of 2022. The Department for International Trade (DIT) aims to secure an ambitious programme of FTAs to benefit the whole of the United Kingdom (UK) and support businesses of all sizes across different sectors of the economy.

FTAs facilitate UK businesses to export to foreign markets and enable producers and consumers to access a greater range of intermediate and final products at competitive prices. Greater trade liberalisation also has a positive economic impact by increasing innovation, productivity, and competition.

On 11 February 2019, the UK and the Swiss Confederation (Switzerland) signed the UK-Switzerland Trade Agreement (the 'Trade Agreement'). This entered into force on 1 January 2021. The agreement took an 'umbrella' approach of continuing the complex set of agreements which governed the existing trade relationship between the European Union and Switzerland.

The Trade Agreement provides the basis for our trading relationship with Switzerland and is a platform from which we can begin the process of negotiating a new and more ambitious trade deal.

We have agreed with Switzerland that we will open negotiations to enhance our trade arrangements during 2022. In advance of agreeing a UK mandate for these negotiations, DIT is seeking input from members of the public, businesses, and any other interested stakeholders to inform which aspects of current trading arrangements with Switzerland we should look to improve or amend. The aim of this document is to provide:

- background information on current trade flows between the UK and Switzerland to better understand the existing trading relationship;
- information to help guide stakeholders to identify priority areas of the current trading relationship including the potential for further ambition or amendments.

Figure 1: goods and services trade between the UK and Switzerland, 2020

In 2020 there were 15,100 VAT registered businesses exporting goods to Switzerland, of which 12,900 were SMEs	2020 exports from the UK	£12.2 billion in services trade	£12.1 billion in goods trade
In 2020 there were 7,300 VAT registered businesses importing goods from Switzerland, of which 5,700 were SMEs	2020 imports to the UK	£4.9 billion in services trade	£5.3 billion in goods trade

Sources: ONS (2022), UK total trade: all countries, seasonally adjusted, July-September 2021 edition; HMRC (2021), UK trade in goods by business characteristics (2020) data tables, published November 2021. Note: Number of VAT registered business exports/imports only relates to businesses trading in goods, and therefore excludes any businesses that only trade in services.

2:
Areas of interest in our call for input

Our call for input provides stakeholders with the opportunity to express their views about an enhanced UK trade agreement with Switzerland. We are particularly interested in views about:

- which areas do you want the UK government to prioritise in trade talks with Switzerland when negotiating an enhanced FTA?
- are you facing challenges or constraints when attempting to trade or invest in Switzerland, and if so, how significant is this on your business activity?
- how do you expect your business to respond if restrictions were removed on services trade or investment with Switzerland? For example, might you look to invest in Switzerland or attract investment from Switzerland, increase output or hire more workers?
- is your business trading innovative goods and services with Switzerland and how can trade talks support increased innovation?

3:
UK-Switzerland economic, trade and investment relationship

3.1 Overview of economies

In 2020, Switzerland had a gross domestic product (GDP) per capita of around $71,700. This is more than the UK's GDP per capita of around $46,500 over the same period.[1] Total trade (imports plus exports) is just over half of GDP for the United Kingdom but accounts for more than the total GDP for Switzerland.[2] Both the UK and Switzerland are services-based economies, with services accounting for over 70% of GDP for both economies.[3]

Table 1: Headline economic indicators for Switzerland and the UK, 2020

Economic Indicator	Switzerland	UK
GDP, PPP ($ billion)	$620	$3,124
GDP per capita, PPP	$71,743	$46,483
Trade (% GDP)	115.9%	56.1%
Population (million)	8.6	67.2
Agriculture, value added (% GDP)	0.7%	0.6%
Industry, value added (% GDP)	25.2%	17.0%
Manufacturing, value added (% GDP)	18.1%	8.6%
Services, value added (% GDP)	71.3%	72.8%

Source: World Bank: World Development Indicators (Accessed March 2022)

3.2 Trade flows between the UK and Switzerland

Switzerland is the UK's 10th largest trading partner, accounting for just under 3% of total UK trade in 2020.[4] Total trade in goods and services between the UK and Switzerland was £34.5 billion over the same period.[5]

As seen in Table 2, UK exports to Switzerland were £24.3 billion in 2020, accounting for 4.0% of all UK exports.[6] Of this, £6.6 billion were in unspecified goods which includes nonmonetary gold. UK imports from Switzerland were £10.2 billion over the same period, accounting for 1.7% of all UK imports.

Table 2: Trade between the UK and Switzerland, 2020 (£, billion)

Trade component	Trade in goods	Trade in services	Total trade
UK exports to Switzerland	12.1	12.2	24.3
UK imports from Switzerland	5.3	4.9	10.2
Total bilateral trade	17.4	17.0	34.5

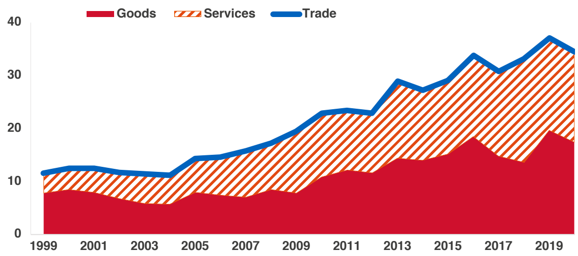
Source: ONS, (2022). UK total trade: all countries, seasonally adjusted, July-September 2021 edition.

Figure 2 shows how UK trade with Switzerland has evolved since 1999, broken down by goods and services. UK trade with Switzerland has increased almost 3-fold from 1999-2019. Goods and services are traded with Switzerland in roughly even proportions. Trade remained stable from 1999 to 2004, before increasing steadily between 2004 and 2020. Services trade has become an increasing share of the UK's trade with Switzerland.

1 In current $ values, as of 1st March 2022.
2 World Bank: World Development Indicators (accessed March 2022).
3 Value added as a percentage of GDP can be used as a measure of the relative contribution of a sector towards overall economic output in an economy. Organisation for Economic Co-operation and Development (OECD), 2021.

4 EU members are treated as individual trading partners with the UK.
5 ONS (2022), UK Total Trade: all countries, seasonally adjusted, July-September 2021 edition.
6 Ibid.

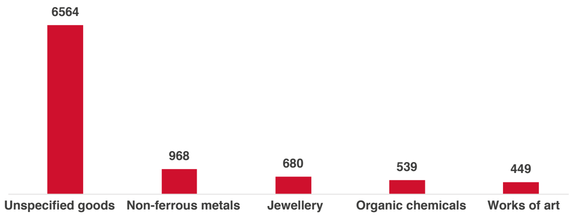
Figure 2: UK trade with Switzerland over time (£ billion)



Source: ONS, (2022). UK total trade: all countries, seasonally adjusted, July-September 2021 edition.

The top UK goods exported to Switzerland in 2020 were unspecified goods[7] (£6.6 billion), non-ferrous metals (£968 million), and jewellery (£680 million). These categories represent around 68% of all UK goods exports to Switzerland, with unspecified goods making up over half of total goods exports to Switzerland.[8] The top five UK goods product lines exported to Switzerland in 2020 are shown in Figure 3.

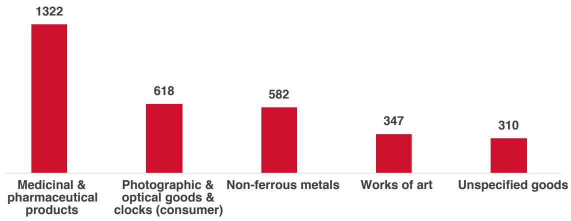
Figure 3: Top 5 UK goods exports to Switzerland, 2020 (using SITC codes, £ million)



Source: ONS (2022), Trade in goods: country-by-commodity exports, non-seasonally adjusted, February 2022 release. The commodities are categorised based on SITC codes using level 2 and 3 codes.

The UK's top goods imported from Switzerland in 2020 were medicinal and pharmaceutical products (£1.3 billion), photographic and optical goods and clocks (consumer) (£618 million), and non-ferrous metals (£582 million). These categories account for 48% of all UK goods imports from Switzerland.[9] The top five UK goods product lines imported in Switzerland in 2020 are shown in Figure 4.

Figure 4: Top 5 UK goods imports from Switzerland, 2020 (using SITC codes, £ million)

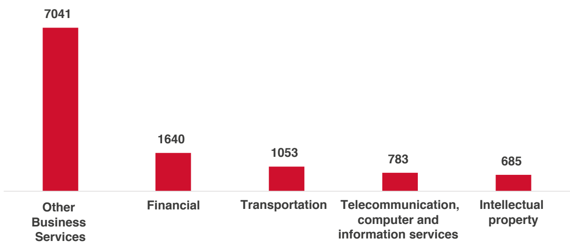


Source: ONS (2022), Trade in goods: country-by-commodity imports, non-seasonally adjusted, February 2022 release. The commodities are categorised based on SITC codes using level 2 and 3 codes.

Businesses across the UK trade with Switzerland. In 2020, 4.6% (equivalent to £1.6 billion) of goods exported from London were destined for Switzerland in 2020. Similarly, 3.5% and 2.3% of goods exported from Yorkshire and the Humber and the South East respectively, also went to Switzerland – compared to 1.8% for the UK. Businesses from the South East and London imported 1.9% and 1.8% of their goods, respectively, from Switzerland – relative to 1.2% for the entire UK.[10]

Other business services, which includes accountancy, architectural and legal services, were the UK's largest services trade export to and import from Switzerland, worth £7.0 billion and £3.0 billion respectively in 2020.[11] Financial services were the UK's second largest export in services trade, worth £1.6 billion. Intellectual property services were the UK's second largest import in services trade, worth £698 million. The top five UK services exported to and imported from Switzerland in 2020 are shown in Figures 5 and 6 respectively.

Figure 5: Top 5 UK services exports to Switzerland, 2020 (£ million)

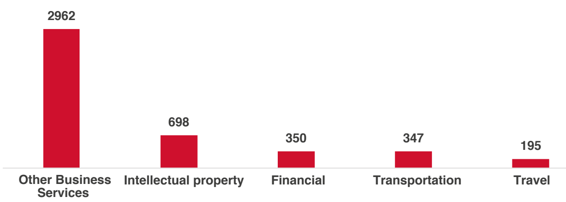


Source: ONS (2022), UK trade in services: service type by partner country, non-seasonally adjusted, January 2022 release.

7 Unspecified goods include uncategorised goods (such as parcel post and low value trade) and nonmonetary gold.
8 ONS (2022), Trade in goods: country-by-commodity, non-seasonally adjusted, February 2022 release. The commodities are categorised based on SITC codes using level 2 and 3 codes.
9 Ibid

10 HMRC (2021), Regional Trade in Goods Statistics dis-aggregated by smaller geographical areas: 2020.
11 ONS (2022), UK trade in services: service type by partner country, non-seasonally adjusted, January 2022 release.

Figure 6: Top 5 UK services imports from Switzerland, 2020 (£ million)



Source: ONS (2022), UK trade in services: service type by partner country, non-seasonally adjusted, January 2022 release.

In 2020 the stock of Foreign Direct Investment (FDI) from the UK in Switzerland was £5.8 billion. This was around 3.5% of the UK's total outward FDI stock.[12] Between December 2011 and December 2021, the clusters with the highest number of UK outward FDI projects in Switzerland were "financial services", "professional services" and "creative industries".

Together, these clusters accounted for 71% of the 123 total UK outward FDI projects to Switzerland.[13] Over the same period, Switzerland's inward FDI projects in the UK were concentrated in "professional services", "retail trade" and "financial services". Together these clusters accounted for 57% of the total Switzerland inward FDI projects to the UK.[14]

The OECD FDI Restrictiveness Index highlights that in 2020 Switzerland was more restrictive than the OECD average in 6 sectors, including in electricity and transport. It is also more restrictive than the UK to FDI in all sectors except for fisheries.[15]

On average in 2019, around 75% of Swiss restrictions on FDI reflected equity restrictions, which limit the extent of foreign ownership permitted in companies. Around 13% of restrictiveness is due to other restrictions which limit the potential operation of foreign investors, including land ownership and access to local finance.[16]

3.2 Basis of the current trading relationship

The UK and Switzerland signed the UK-Switzerland Trade Agreement on 11 February 2019. This is a continuity trade agreement, which replicates as far possible the trade arrangements between Switzerland and the EU.

The UK-Switzerland agreement largely focuses on trade in goods as there is no comprehensive agreement between Switzerland and the EU on trade in services.

Goods market access

Goods chapters in trade agreements set out the preferential treatments that are applied to the originating goods of each of the respective parties.

The UK–Switzerland Trade Agreement liberalises 79% of Switzerland's tariff lines on imports from the UK, covering about 99.6% of the value of Swiss imports from the UK on average between 2017 and 2019. All non-agricultural products are fully liberalised under the current agreement. Therefore, the remaining 21% of Swiss tariff lines not fully liberalised under the current agreement relate to agricultural products. These tariff lines are either subject to a Tariff Rate Quota (TRQ), a partial tariff reduction, or are excluded from any tariff reduction altogether.

Under Switzerland's Most Favoured Nation (MFN) tariff schedule 26.4% of tariff lines are already subject to a zero MFN tariff. The Trade Agreement liberalises a further 4,644 tariff lines covering £4.2 billion in Swiss imports from the UK. The remaining 1,862 lines are only partially liberalised or not liberalised at all under the existing agreement, however, based on average trade flows over the period, these lines only account for £65.6 million in annual Swiss imports from the UK.

12 ONS (2022), Outward foreign direct investment (FDI) involving UK companies: 2020 (Directional principle), February 2022 release.
13 FDI markets. Online database of crossborder greenfield investments (accessed 8 March 2022).
14 Ibid.
15 OECD (2022), FDI Regulatory Restrictiveness Index, accessed March 2022.
16 Ibid.

Table 3: Breakdown of tariff lines in Switzerland's MFN schedule and UK-Switzerland Trade Agreement schedule

Tariff line type	Number of lines (CN2021)	Switzerland imports from the UK (2017-19 average, £m)
MFN zero	2344	11,643
MFN non-zero but preferential rate zero	4644	4,197
Partial liberalisation under FTA (including TRQs)	288	29.7
Excluded under FTA	1574	35.9

Source: DIT calculations (see footnote 17).

For UK imports from Switzerland, the Trade Agreement liberalises 79% of tariff lines, covering over 99.8% of the value of UK imports from Switzerland on average between 2017 and 2019. Under the UK's MFN tariff schedule, 43.6% of tariff lines are already subject to zero MFN tariff. The Trade Agreement liberalises a further 3769 tariff lines, covering £1.5 billion in UK imports from Switzerland. The remaining 2187 lines are only partially liberalised or not liberalised at all under the existing agreement. Based on average trade flows over the period, these lines account for £30.3 million in annual UK imports from Switzerland.

Table 4: Breakdown of tariff lines in the UK's MFN schedule and UK-Switzerland Trade Agreement schedule

Tariff line type	Number of lines (CN2021)	UK imports from Switzerland (2017-19 average, £m)
MFN zero	4612	11,288
MFN non-zero but preferential rate zero	3769	1,482
Partial liberalisation under FTA (including TRQs)	93	<0.1
Excluded under FTA	2094	30.3

Source: DIT calculations (see footnote 17).

In comparison to trading at MFN rates, the Trade Agreement is estimated to reduce annual duties by £35.3 million on Switzerland imports from the UK, and £42.1 million on UK imports from Switzerland.[17] These figures assume that available preferences are fully utilised by exporters and importers.

The products where the largest annual duty reductions are estimated on UK imports from Switzerland are:

- Organic Chemicals (HS29, £6.0 million)
- Aluminium (HS76, £4.8 million)
- Miscellaneous edible preparations (HS21, £4.8 million)

  The products where the largest annual duty reductions are estimated on UK exports to Switzerland are:

- Vehicles other than railway or tramway rolling stock (HS87, £6.1 million)
- Aluminium (HS76, £4.9 million)
- Plastics (HS39, £3.1 million)

Remaining annual duties on UK imports from Switzerland are estimated to be around £485,000. These are mainly attributed to fish and crustaceans (HS03) and beverages and spirits (HS22), accounting for £97,000 and £66,000 worth of duties, respectively. Examples of products that are not fully liberalized by the UK under the existing arrangement include salmon, champagne, live horses, cane sugar and cigars.[18]

Remaining annual duties on Swiss imports from the UK are estimated to be around £7.8 million. These are predominantly charged on meat and edible meat offal (HS02) and preparations of vegetables, fruit, nuts and other parts of plants (HS20). These products account for about £3.9 million and £1.1 million worth of duties, respectively. Examples of products that are not fully liberalized by Switzerland under the existing arrangement include beef, fruit juices, vegetables, and wine.[19]

17 Estimated reductions in annual duties on Switzerland imports from the UK are derived from DIT calculations using tariff data from ITC Market Access Map (MacMap) and trade data from ITC Trade Map (accessed December 2021). Estimated reductions in annual duties on UK imports from Switzerland are derived from DIT calculations using tariff data from DIT's WTO CRTA notification table, DIT estimates of UKGT AVEs and MacMap preferential AVEs, and trade data from HMRC for imports.

18 The commodity codes for these products are as follows: smoked pacific salmon (03054100), champagne (22041011), live horses (1012990), cane sugar (17019990), cigars (24021000)

19 The commodity codes for these products are as follows: beef (02013099), fruit juices (20099059), vegetables (20059969), wine (22042149)

Utilisation of the agreement

The values provided above assume that utilisation of preferential tariffs is 100%, which is not true in practice. The average preference utilisation rate (PUR) for UK exports to Switzerland in 2019 was 57%. This means that 57% of UK exports that were eligible for preferential treatment were exported to Switzerland under preferential terms, with the remainder exported under MFN terms.[20 21]
This remains under the average PUR for UK exports to the world (71%). Products which have scope for PUR improvement and account for large export values include chemical products (PUR of 67%) and machinery and mechanical appliances (PUR of 54%).

The average preference utilisation rate for UK imports from Switzerland in 2019 was 90% with most sectors above 80%. Although utilisation is relatively high, there is still scope for improvement in sectors such as machinery and mechanical appliances and transportation equipment, which account for a significant share of UK imports from Switzerland but where utilisation is lower than average (PURs of 88% and 71% respectively).

Utilisation rates vary greatly across sectors and agreements. Utilisation rates are also likely affected by agreement-specific factors such as rules of origin requirements for goods and the profile of businesses which export those goods.

Tariff Rate Quotas

Tariff-Rate Quotas (TRQs) allow a certain quantity of a product to enter the importing market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff – usually the MFN rate. The current agreement includes inward TRQs for UK imports from Switzerland on the following indicative products (with mostly duty-free in-quota rates):

- Live bovine animals
- Dried beef
- Cream
- Yogurt
- Seed potatoes
- Tomatoes
- Onions and leeks
- Cabbages, cauliflowers and kale, and other similar brassicas
- Lettuce and chicory
- Carrots and turnips
- Beetroot, celeriac and radishes and similar edible roots
- Cucumbers
- Beans
- Aubergines
- Celery
- Spinach
- Salad vegetables
- Chard
- Fennel
- Courgettes
- Other vegetables
- Apples
- Pears and quinces
- Apricots
- Cherries
- Plums and sloes
- Strawberries
- Raspberries
- Blackberries
- Banana flour
- Hams in brine, smoked pork chop, sausages, dried pork neck
- Potatoes
- Cherries

The current agreement also includes outward TRQs on UK exports of the following products (with mostly duty-free in-quota rates):

- Live horses
- Goat meat
- Frozen poultry
- Frozen duck
- Rabbit meat
- Game meat

20 Director General for Trade of the European Commission calculations based on data from national customs administrations of importing third countries and MADB, updated 21st October 2020.
21 Excluding pearls, (semi-)precious stones and metals, the average PUR for UK exports to Switzerland in 2019 was 65%. Pearls, (semi-)precious stones and metals contain non-monetary gold. This product is the UK's largest export to Switzerland but is mostly traded under MFN 0 despite being eligible for preferential treatment. This results in a very low PUR which skews the data. International guidance (BPM6) states non-monetary gold should be treated the same as any other commodity and is thus included in ONS export/import values to ensure comparability between countries. However, it's important to consider statistics without non-monetary gold as this helps understand the UK's trade flows better. Non-monetary gold is traded more like a service than a good due to the trade being based on economic ownership from foreign buyer purchases of gold (investments). More information here: https://blog.ons.gov.uk/2020/02/10/its-indestructible-but-can-we-always-believe-in-the-uk-trade-figures-with-the-disaggregated-effect-of-the-international-trade-in-non-monetary-gold/.

- Dried, salted or smoked hams
- Dried beef
- Eggs
- Honey
- Fruit trees, shrubs, bushes and plants
- Rhododendrons, azaleas, roses
- Live plants
- Cut flowers and buds
- Tomatoes
- Iceberg lettuce
- Witloof chicory
- Cucumbers
- Gherkins
- Aubergines
- Mushrooms
- Sweet peppers
- Courgettes
- Preserved vegetables
- Onions
- Peas
- Nuts
- Oranges
- Mandarins
- Melons
- Apricots
- Plums
- Strawberries
- Raspberries
- Kiwi fruit
- Bilberries
- Other edible fruit
- Wheat and meslin
- Maize for animal feed
- Some mushrooms
- Dog and cat food

Full details and breakdowns of the TRQs can be found in the Parliamentary report which accompanies the UK–Switzerland Trade Agreement.[22]

Rules of Origin

In trade agreements, rules of origin (RoO) are used to determine the economic nationality of a good. In order to benefit from the preferential tariff rates under the UK–Switzerland Trade Agreement, goods must "originate" in either the UK or Switzerland. Goods must, for example, be "wholly obtained" or "sufficiently worked and processed".[23]

To provide maximum continuity for business, the UK-Switzerland Trade Agreement provides that EU materials can be recognised (i.e. cumulated) in UK and Switzerland exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to Switzerland.

Non-Tariff Measures

Non-Tariff Measures (NTMs) are defined as policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded or prices or both.[24] This includes customs controls and differences in national regulatory regimes.

The measures applied by Switzerland, and the number which fall under each category, which affect all countries include:[25]

- technical barriers to trade (196)
- sanitary and phytosanitary (68)
- quantity control measures (38)
- price control measures (16)
- pre-shipment inspection (14)
- measures affecting competition (2)

22 DIT (2019), Continuing the United Kingdom's Trade Relationship with the Swiss Confederation: Agreement establishing a Trade Agreement between the Swiss Confederation and the United Kingdom of Great Britain and Northern Ireland, Parliamentary Report, published February 2019 (Accessed March 2022).
23 These and other rules are fully described here - https://www.gov.uk/guidance/check-your-goods-meet-the-rules-of-origin.
24 MAST (Multi-Agency Support Team, composed of the Food and Agriculture Organization of the United Nations, International Trade Centre, Organization for Economic Cooperation and Development (OECD), UNCTAD, United Nations Industrial Development Organization, World Bank and WTO).
See UNCTAD (2019) https://unctad.org/en/PublicationsLibrary/ditctab2019d5_en.pdf
25 UNCTAD, TRAINS. Available at: https://trainsonline.unctad.org/home . Accessed March 2022.

Trade remedies

Trade remedies provide a safety net for domestic industry against injury caused by dumped, subsidised or unexpected surges of imports. The UK–Switzerland Trade Agreement contains provisions enabling the parties to take remedial measures in the event of dumping or an increase in imports which is likely to be detrimental to domestic industry.

Dispute settlement

The economic benefits of trade agreements can only be realised if they are implemented and complied with.

The UK-Switzerland Trade Agreement provides that the Joint Committee will be responsible for ensuring the proper implementation of the Agreement.

Services

The UK-Switzerland Trade Agreement contains no substantive services provisions. As a baseline, the UK and Switzerland currently rely on each other's offers under the GATS (General Agreement on Trade in Services) which represents the level of access and the treatment granted to all WTO members. Given the significant volumes of trade in services between the UK and Switzerland, reaching a comprehensive agreement on trade in services will be a key feature of the upcoming FTA negotiation.

In addition to the UK and Switzerland Trade Agreement, the UK signed the Services Mobility Agreement (SMA) in December 2020. The SMA enables UK service suppliers to work in Switzerland for up to 90 days without a work permit, from 1 January 2021. Swiss professionals are able to deliver contracts in the UK in key skilled sectors through the Tier 5 International Agreement visa. Under the SMA the UK and Switzerland have also established a working group with the aim of developing a comprehensive agreement on the recognition of professional qualifications for service suppliers working in each other's markets. The arrangements provided for by the SMA will remain in place until the end of 2022, with the UK and Switzerland able to jointly decide to extend the agreement.

In January 2021, the UK and Switzerland announced their intention to progress with negotiations for a mutual recognition agreement on financial services. The aim of this agreement would be to reduce costs and barriers for UK firms accessing the Swiss market, and vice versa. It is expected to cover a wide range of sectors such as insurance banking and asset management.

Government procurement

Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments. The UK-Switzerland Trade Agreement incorporates all the existing obligations that the countries owe to each other by virtue of the UK's membership of the 1994 WTO Government Procurement Agreement (GPA), as well as offering additional market access in the areas of procurement by telecommunications operators, railway operators, entities active in the field of energy (excluding electricity), and private utility providers. Switzerland has since acceded to the 2012 WTO GPA, which provides the UK further access to entities in the fields of drinking water, electricity, airports, inland ports and postal services.

Intellectual Property

Intellectual Property (IP) provisions provide protection for, and enforcement of, IP rights. These include registered IP rights such as patents, trade marks and designs, and unregistered rights such as copyright and trade secrets. While the UK–Switzerland Trade Agreement does not specifically focus on IP, the UK and Switzerland have agreed to consider additional areas including protection of intellectual property rights, labour, environment, trade remedies and dispute settlement, as part of a new trade agreement.

4:
Potential impacts of an enhanced FTA for workers and the environment

Potential impacts of an FTA for workers

Just as FTAs present opportunities and challenges for businesses, they also generate opportunities and challenges for the workers of those businesses. They can also affect the dynamism of the labour market more widely.

Workers can benefit from FTAs through a variety of channels:

- Where FTAs boost productivity within firms and sectors, and across the economy more widely, this is likely to generate increases in the employment opportunities and real wages of workers;
- Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even at the same wage.

Trade liberalisation can also affect the structure of the economy over time. Workers may move between jobs and sectors, as changes in the pattern of trade leads to some sectors expanding and some sectors declining. The UK has one of the most dynamic and flexible labour markets in the world, which helps to facilitate adjustment and reduce transitional costs for workers.

Modern, dynamic economies are continually reshaping in line with global developments which drive a continual process of worker and job transition in the labour market. It is possible that lower barriers and greater import competition resulting from an FTA could accelerate this ongoing process.

Potential wider social impacts of an FTA

As described above, FTAs can affect employment prospects, wages and wider working conditions in specific sectors or for specific professions or skill levels. The characteristics of workers can sometimes differ across sectors, professions and skill levels. It is therefore possible that that these changes could affect various social groups differently and influence the distribution of income. The regional location of workers in different sectors and professions may also vary. This means that different areas or regions within a country may be affected differently by an FTA.

Potential impacts of an FTA on the environment

The economic changes resulting from FTAs have the potential to affect some aspects of the environment including, for example, greenhouse gas emissions, air pollution, water quality and land use.

The indirect impacts on the environment may occur as enhanced trade induces the economy to grow (a ‘scale’ effect affecting pollution for example) and as economic activity shifts between sectors with different levels of emissions (a ‘composition’ effect). FTAs can also positively impact the environment as increased trade leads to the transfer of new, potentially more environmentally friendly, technologies and production methods (a ‘technique’ effect).

The impact of FTAs on the environment will depend upon the design of an agreement and the economies of the countries involved. The UK Government is committed to maintaining high standards of environmental protection in trade agreements. The Government will assess the potential environmental impacts in more detailed studies before and after negotiations take place with new partner countries.

5:
Drafting a consultation response

Drafting a consultation response

As with all other new FTAs, DIT is committed to negotiating an agreement which delivers benefits to stakeholders across the whole of the UK. The responses to this consultation will inform our policy making and negotiating positions for engaging with Switzerland, and so it is important to us that you respond and set out your priorities for the shape of a future FTA.

Prior to submitting your response, we encourage you to talk to a range of experts in your business/organisation to understand the fullest picture of current trading priorities. A PDF version of the full set of questions is available before you complete the online questionnaire.

When responding, we would advise you to think about what you would want to see in an FTA that is designed for the future. Tell us which areas you think provide the most opportunities, and where we can secure provisions to help you overcome any barriers you are currently experiencing whilst trading and investing with Switzerland.

When responding to the consultation you may find some questions are more applicable to you/your business/organisation than others. Aim to answer these questions accurately, and in as much detail as possible. This may include suggestions on what you would like to see included in certain chapters, or examples of where other agreements have strong provisions that we could look to replicate. Where it is relevant, we welcome the inclusion of figures or data to illustrate the examples you give in your response. Remember that more detailed answers will help us to best understand your needs.

6: Conclusions

FTAs have the potential to deliver substantial economic benefits to signatories, including increased trade and investment. This is driven by reducing trade costs, reducing uncertainty in the rules of trade, creating a level playing field for businesses across partner countries and increasing productivity.

Switzerland is an important trade and investment partner for the United Kingdom and the deepening of our bilateral trade and investment relationship through an FTA could generate benefits to the United Kingdom and Switzerland economies.

This consultation will inform an evidence-based approach to decision-making and inform future assessments of the impacts of an FTA with Switzerland. We are interested in better understanding your views on areas such as key opportunities in an FTA as well as current challenges in trading and investing in Switzerland.

The United Kingdom Government has committed to publishing scoping assessments before entering into negotiations with partner countries for new FTAs, and to publishing an impact assessment prior to implementation.

7. Glossary

A) Glossary of trade terminology

Anti-dumping duty - Under WTO rules, countries can counteract the practice of 'dumping' by imposing additional duties on imported goods found to be 'dumped' and causing injury to domestic producers.

Bilateral agreement - An agreement negotiated between two sides.

Countervailing Measure (CVM) - Additional duties that WTO rules authorise countries to impose on imported goods to offset state subsidies received in the country of export after having conducted a domestic investigation and establishing that the subsidised imports are causing injury to the domestic industry.

Customs authority - A government body that administers laws and regulations relating to goods crossing a border, particularly import, export, movement and storage of goods.

This can be by:

1) Collecting duties and taxes.

2) Controlling import & export of restricted goods, e.g. animals, and weapons.

In the United Kingdom, Customs functions are undertaken by HM Revenue & Customs and Border Force.

Customs duty - A charge imposed by a country on the import or export of goods.

Customs procedures - Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.

Dumping - Dumping occurs when goods are exported at a price less than their 'normal value', generally meaning they are exported for less than they are sold in the domestic market or are sold in export markets below the cost of production. WTO rules authorise action to counteract the practice of dumping when dumped imports are shown to cause injury to domestic producers.

Foreign Direct Investment (FDI) - Investment by an entity in a foreign operation, or establishment of a new operation in another country.

Free Trade Agreement (FTA) - A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.

Gross Domestic Product (GDP) - Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.

Intellectual Property (IP) - Creations of the mind, such as inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These creations are protected by law by a variety of intellectual property rights such as patents, copyright, trade marks, design rights and geographical indications.

Market access - Conditions set by governments to control which goods or services can or cannot enter their domestic market.

Most Favoured Nation (MFN) - A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating some WTO members more favourably than others. The MFN obligation requires each WTO member, in its trade with all other WTO members, to give the best ("most-favoured") treatment that it accords in trade with any other WTO member. If, for example, a country lowers tariffs on goods from the GCC , it must also do so on similar goods from Argentina. Exceptions to the MFN principle exist under WTO law, such as in the form of Customs Unions, Free Trade Agreements, Generalized System of Preferences and certain trade remedies.

FTAs often contain their own MFN commitments between the treaty partners.

National Treatment - A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating imported goods or foreign services and services suppliers less favourably than domestic goods or services and services suppliers in its domestic market. The national treatment obligation helps ensure imported goods and services are not unfairly disadvantaged compared with their domestic counterparts. Such obligations may also be included in FTAs between the country parties.

Non-Tariff Barriers (NTBs) or Non-Tariff Measures (NTMs) - Any policy that restricts exports or imports other than a simple tariff.

Quantitative Restrictions (QRs) - Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period.

Regional Trade Agreement (RTA) - In the WTO, these refer to reciprocal trade agreements between two or more partners to liberalise tariffs and services. They include free trade areas and customs unions and economic integration agreements on services.

Rules of Origin (RoO) - Rules used to determine where goods are "from", for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.

Safeguard Measures - Actions taken to protect a specific industry from an unexpected build-up of imports. They are generally governed by Article 19 of GATT and the Agreement on Safeguards.

Sanitary and Phytosanitary Measures (SPS) - Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.

Services Trade Restrictiveness Index (STRI) - STRIs are composite indices taking values between zero and one, zero representing an open market and one a market completely closed to foreign services providers.

Small- and Medium-sized Enterprises - In the United Kingdom this covers businesses with fewer than 250 employees.

Supply chain - The sequence of processes involved in the production and distribution of a good.

Tariff Rate Quota (TRQ) - The application of a higher tariff or tax on certain goods once an agreed quota (amount) of imports is reached.

Tariffs - Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (e.g. 10 per cent or £7 per 100 kg).

Technical Barriers to Trade (TBT) - These are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The WTO's TBT Agreement aims to ensure that these do not create unnecessary obstacles to trade.

Trade liberalisation - The removal or reduction of restrictions or barriers to trade.

Trade remedies - Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.

WTO - The World Trade Organization.

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The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

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