



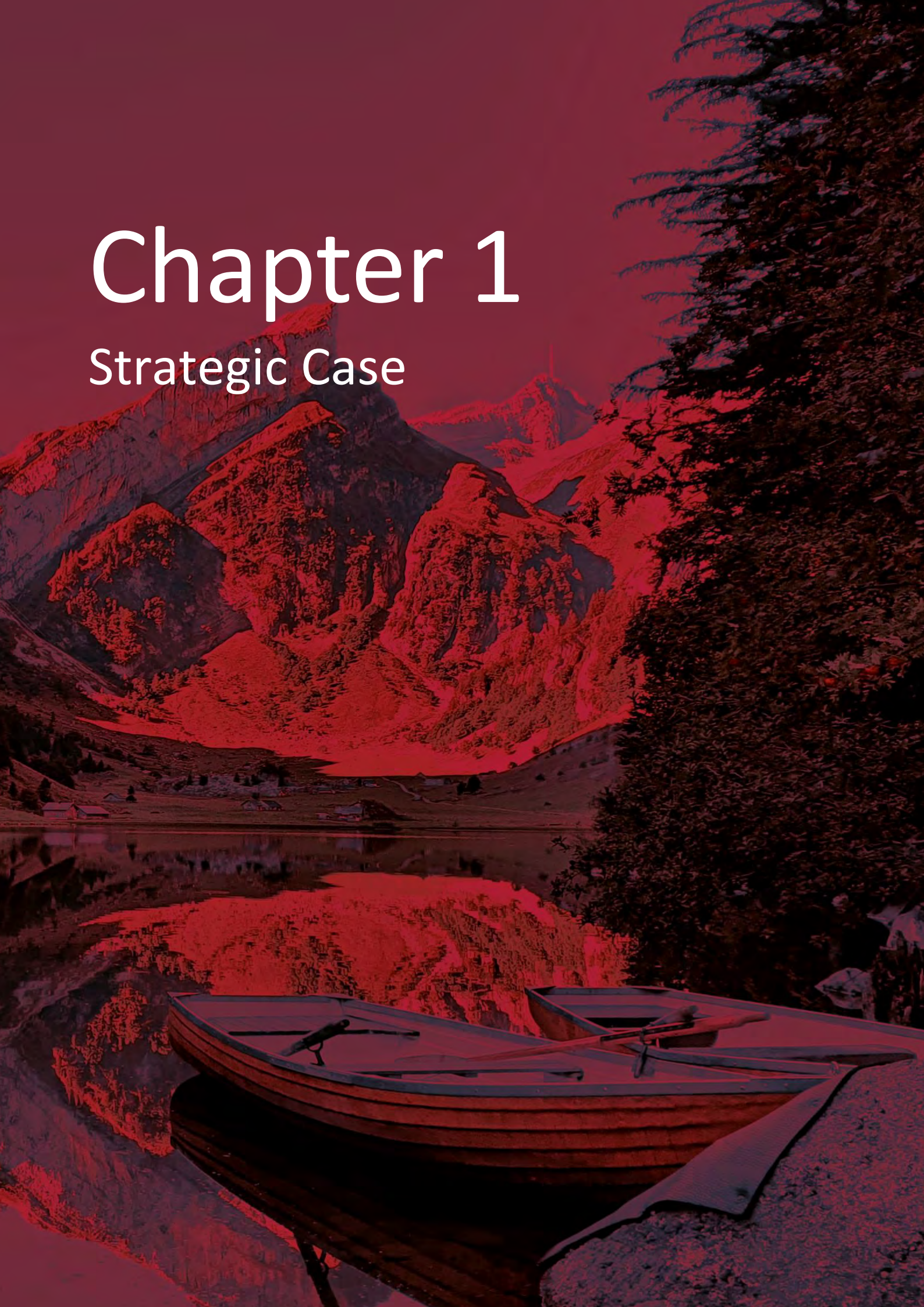
Department for
Business & Trade



UK-Switzerland
Free Trade Agreement
The UK's Strategic Approach

Chapter 1

Strategic Case



Chapter 1: Strategic Case

Introduction

The United Kingdom and Switzerland have agreed to enter into negotiations for a new and bespoke Free Trade Agreement (FTA). Our existing agreement provides a foundation on which to build, as we seek to upgrade to a deal which maximises opportunities for both economies and is fit for the global economy of the future. An upgraded trade agreement with Switzerland supports the UK Government's strategy of securing modern and comprehensive trading relationships with dynamic economies and nurturing long-term economic growth through innovation.

In February 2019, the UK and Switzerland signed the [UK-Switzerland Trade Agreement](#) which forms the basis of the current trading relationship. It is a continuity trade agreement, which replicates as far as possible the trade arrangements between Switzerland and the EU. This agreement provides a platform from which we can begin the process of negotiating a new and more ambitious trade deal.

Switzerland is already one of the UK's most important trading partners and as a close European neighbour, it is a key market for UK businesses of all sizes. Total trade between the UK and Switzerland was worth £52.8 billion in 2022. Switzerland is also the UK's 10th largest trading partner worldwide and our 3rd largest services trading partner after the EU and US. A new FTA offers a unique opportunity to enhance trade and investment between both countries and open up new exciting opportunities for growth in all regions of the UK.

Although there are high levels of services trade between both countries, there is no comprehensive agreement on trade in services to replicate. However, in 2020 the UK and Switzerland secured the [Services Mobility Agreement](#), which allows UK professionals to work in Switzerland for up to 90 days without a work permit. This came into force on 1st January 2021 and is set to expire on 31st December 2025. In 2022, the UK and Switzerland signed the [Mutual Recognition Agreement \(MRA\)](#) for goods, which was applied provisionally from 1st January 2023. This applies to a specific set of goods which, when tested in the UK against Swiss regulations, can be sold in Switzerland without additional testing in Switzerland.

An FTA with a like-minded partner

As two strong service-based economies and centres of global innovation, the UK and Switzerland have much to gain from upgrading our FTA. Switzerland has an advanced economy with high standards, and equally important is a like-minded partner with shared values, open markets, world leading research, education, innovation, and strong engagement on foreign policy and sustainable development.

A new FTA could help us work more closely on the most pressing global challenges, including combatting climate change, developing new technologies and promoting free trade. It is also a chance for the UK to work with a close European ally outside the

European Union to shape global trade rules in areas such as financial services, digital trade, climate and the environment. This will set a benchmark for cooperation between two prosperous and pragmatic European economies.

The benefits of an upgraded FTA could include:

Expanding the scope and depth of existing arrangements with an important trading partner

Trade between the UK and Switzerland has tripled over the past twenty years reaching over £50 billion a year in 2022.¹ Our current agreement is made up of a complex web of smaller agreements that have built up over 45 years. These agreements focus mainly on trade in goods (not services), which represent almost half of our trade with Switzerland. Renegotiations provide an opportunity to expand the agreement to cover a broader number of key areas of shared strength including services, investment, digital and the environment.

Increasing opportunities for services and investment

There are significant opportunities to increase trade in services and investment, a key driver of economic growth in both countries. With services representing over 70% of GDP for both economies, the UK has much to gain from extending the agreement to cover services. In 2022, services trade with Switzerland was worth £23.7 billion and Switzerland was the 8th largest direct investor into the UK, with the total stock of Swiss foreign direct investment worth £74 billion. Switzerland was also the 9th largest destination for UK outward FDI in 2021, with a stock of UK FDI of £52 billion.

Despite this, the current FTA has no services or investment coverage. Instead, services and investment trade between the UK and Switzerland takes place on “General Agreement on Trade in Services” (GATS) terms which represents the minimum baseline for World Trade Organization (WTO) signatories. This offers no preferential access for UK businesses or investors to Swiss markets. The exception is business mobility where the UK and Switzerland have agreed enhanced business mobility arrangements through the Services Mobility Agreement (SMA).

A new FTA is a chance to remove barriers and secure new market access for UK service providers and investors. It will also provide the long-term legal certainty that businesses and investors need to take full advantage of the opportunities the Swiss market offers. There is also an opportunity to embed and build on existing rules that allow business people to travel and deliver services in both countries. This is a key priority for businesses in both countries. Strong mobility arrangements will fuel the growth of vital sectors such as finance, tech, and the creative industries.

The UK and Switzerland are also among the most competitive suppliers of financial services globally and strong FTA commitments will support this flourishing industry. UK financial services exports to Switzerland were worth £2.6bn in 2022.² We will complement what is achieved in the unique UK-Swiss Financial Services Mutual Recognition

¹ ONS (2023), UK total trade: all countries, seasonally adjusted, October-December 2023 edition.

² ONS (2023), UK trade in services: service type by partner country, non-seasonally adjusted.

Agreement, reducing costs and barriers for UK firms accessing the Swiss market and vice versa.

Strengthening goods trade

The current agreement fully liberalises 79.0% of import tariffs into Switzerland.³ A new FTA is an opportunity to pursue expanded commercially meaningful trade liberalisation and reduce or remove tariffs and quotas on agricultural goods. Swiss tariffs on some products, such as red meat, chocolate and baked goods, are currently very high, with businesses describing them as a key barrier to trade. It is also a chance to modernise trading rules, simplify bureaucracy and digitalise customs procedures to make it easier for businesses, particularly Small and Medium Enterprises (SMEs), to trade with Switzerland. Both countries produce high quality agri-food products and can work together to raise global standards.

Promoting innovation, including in digital and emerging technologies.

As areas not covered by the current trade agreement, there are opportunities for the UK and Switzerland to agree to cutting edge digital and data provisions that support all sectors of the UK economy to trade online. Digitally delivered services accounted for 78% of all UK services trade in 2021, up from 68% in 2019.⁴

As two global science superpowers, the FTA is a chance to strengthen collaboration and drive innovation in areas of future economic growth, such as digital trade and data, green growth and emerging technology, that could transform global trade in the future.

Create economic opportunities for the whole of the UK and support SMEs across the country to benefit from trade.

A new FTA will provide increased opportunities for businesses across the UK that are involved in trade with Switzerland. As well as supporting areas like Yorkshire and the Humber and North West export goods, a new agreement will benefit our world-leading services companies in Wales, Scotland and Northern Ireland. In 2021, 14,100 UK businesses exported goods to Switzerland, of which 86% were Small and Medium Enterprises (SMEs).⁵

Delivering for business

We have huge scope to negotiate an ambitious deal that will boost both our economies, create high quality jobs and fuel economic growth in the UK. It is an opportunity to show the world what two like-minded and innovative nations can achieve by enhancing their trading relationship.

Our approach to these negotiations has been developed in close consultation with a wide range of stakeholders, including the public Call for Input on trade with Switzerland which received a large number of responses from the UK public, businesses and civil society. We will continue to work closely with stakeholders throughout the negotiations.

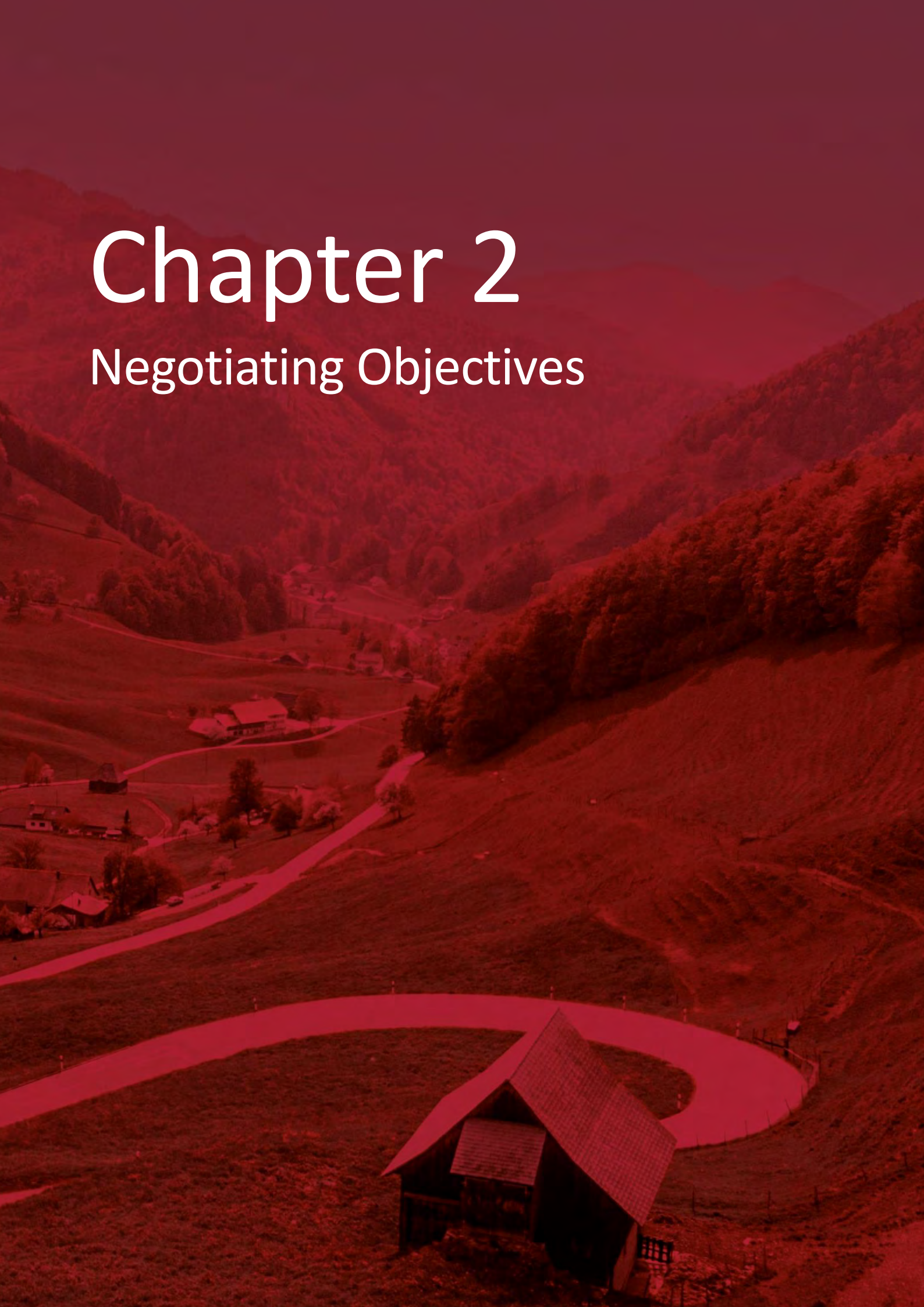
³ DBT calcs using tariff data from The Federal Office for Customs and Border Security (Tares) (2021), ad valorem equivalents (AVEs) from ITC Market Access Map (MacMap) for 2020 and average Swiss imports from the UK between 2018-20 from ITC TradeMap.

⁴ ONS (2023), Imports and exports of services by country, by modes of supply, UK: 2021.

⁵ HMRC (2022), UK trade in goods by business characteristics 2021 data tables.

Chapter 2

Negotiating Objectives



Chapter 2: Negotiating Objectives

Overall Objectives

- Pursue a comprehensive FTA with Switzerland that maintains and builds on current trading arrangements and secures additional benefits for businesses across the UK.
- Secure commercially meaningful access by removing tariffs and other barriers that limit our goods and services trade and impact investment activity, with the aim of creating jobs and boosting productivity and growth for the UK.
- Agree an FTA that works for all UK businesses, including small and medium-sized enterprises (SMEs) and investors, facilitating greater choice and lower prices for UK producers and consumers.
- Create new opportunities by taking commitments across a range of new areas including services, investment, digital trade and environment.
- Work with Switzerland to promote sustainable international trade policy, particularly in areas of mutual interest such as green technology, sustainable finance and emerging technology.
- Provide lasting certainty and a predictable environment to give businesses the confidence to continue to trade and build on existing trade.
- Ensure high standards and protections for UK consumers and workers and build on our existing international obligations. We will not compromise on our high environmental and labour protections, public health, animal welfare and food standards, maintaining our right to regulate in the public interest.
- Uphold the government's manifesto commitment that the NHS, its services, and the cost of medicines are not on the table. We will not accept any provisions that would increase the cost of medicines for the NHS. Protecting the NHS is a fundamental principle of our trade policy, and our commitment to this will not change during our negotiations with Switzerland.
- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.
- Ensure that we continue to draw on views from businesses, civil society, parliament and other stakeholders throughout negotiations to help shape the agreement's outcomes.

Trade in Services

- Create new opportunities and certainty of access for UK service exporters, building on the significant existing services trade between Switzerland and the UK.
- Pursue ambitious commitments that build on the UK and Switzerland's existing terms of trade under the WTO and provide long-term certainty for UK services firms exporting to and operating in the Swiss market.
- Pursue commitments that ensure UK firms can compete on an equal footing when supplying services to Switzerland and that market access is not limited in the future, particularly for key UK exports such as financial services, legal services, research and development services, professional and business services, environmental services and transportation services.
- Pursue greater transparency of Swiss services regulation for all services sectors, as well as commitments to keep sector-specific rules and domestic regulation straightforward. This will ensure that Switzerland's licensing and authorisation processes are transparent and streamlined, and remove unnecessary bureaucracy for services exporters to enter the Swiss market.
- Seek to support UK professionals' ability to supply services in Switzerland through recognition of professional qualifications, while protecting UK standards and public safety and reflecting other ongoing dialogues with Switzerland.
- Provide long-term certainty for businesspersons to travel to and deliver services in Switzerland, building on the outcomes of the Services Mobility Agreement.
- We will continue to preserve the integrity of the UK's domestic immigration system.

Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.
- Continue to ensure that decisions on how to run public services are made by UK.

Telecommunications

- Promote a liberal and competitive telecommunications market that minimises barriers and encourages more suppliers to trade with Switzerland.
- Ensure fair and non-discriminatory access to Swiss telecommunications networks and services and allow UK suppliers to invest and provide services in the market.
- Promote fair and transparent regulatory frameworks overseen by independent and impartial regulators to provide UK suppliers with the confidence to operate in this market.

- Secure greater connectivity for UK consumers and businesses in the Swiss telecommunications market through increased access to telecommunications services.

Digital Trade

- Seek commitments that facilitate free and trusted cross-border data flows and prohibit unjustified data localisation providing certainty to business that they can enter and operate in markets without additional data storage costs.
- Maintain the UK's high standards for personal data protection to ensure public trust in the flow of data which promotes consumers' engagement and participation in digital trade.
- Seek commitments to facilitate more efficient and secure international trade through use of digital technologies, including through paperless trading, which will reduce administrative barriers and transaction costs for business.
- Ensure customs duties are not imposed on electronic transmissions which keeps down costs for businesses and consumers.
- Cooperate on evolving areas of trade such as emerging technologies, data innovation, and environmentally sustainable digital trade to help support business adapt to future challenges and avoid a patchwork of different national rules and regulations which make trade and e-commerce more difficult.

Financial Services

- Seek to agree ambitious and modern financial services provisions that will increase legal and regulatory certainty for firms and ensure fair treatment in line with the UK's best precedent.
- Expand opportunities for UK financial services and ease frictions to cross-border trade and investment.
- Seek enhanced provisions that will technologically underpin and facilitate financial services trade, resolve unjustified restrictions including on data and address emerging issues.

Investment

- Agree provisions that create new opportunities for UK investors in Switzerland, whilst addressing existing barriers that investors currently face.
- Seek to lock in and build upon the market access provided to UK investors operating in Switzerland.

- Ensure the agreement does not contain an Investor State Dispute Settlement (ISDS) mechanism.
- Maintain the UK's right to regulate in the national interest and as the government has made clear, continue to protect the NHS.

Intellectual Property

Protect the UK's existing IP standards and secure provisions which:

- Achieve an effective balance between rewarding research and innovation, whilst reflecting wider public interests such as ensuring access to medicines.
- Ensure rights holders receive protection and fair remuneration for the use of their works abroad, whilst ensuring reasonable and fair access for consumers.
- Seek adequate protection for brands and design intensive goods, whilst keeping the market open to fair competition.
- Secure provisions that are consistent with the UK's existing international obligations, including the European Patent Convention, which the UK is party to.
- Promote provisions that support accessible, transparent, effective, and efficient enforcement of IP rights, including in the digital environment, facilitate cross-border collaboration on IP matters and take account of emerging opportunities and challenges in the digital age.
- Seek effective protection of UK geographical indications in a way that ensures consumers are not misled about the origins of goods while ensuring they have access to a range of products.

Trade in Goods

- Secure improved access to the Swiss market through the liberalisation of remaining tariffs on UK agricultural goods and through the modernisation of goods-related provisions, including the removal of non-tariff barriers.

Rules of Origin

- Maintain existing rules of origin provisions that allow materials and processing from EU countries to be recognised as originating in UK and Switzerland in goods traded between the two countries.
- Seek to further reduce administrative costs for businesses by having predictable and low-cost administrative arrangements, making it easier and cheaper to trade with Switzerland.

Customs and Trade Facilitation

- Secure commitments to transparent, predictable, and efficient customs procedures that help facilitate trade at the border.
- Promote the digitisation and automation of customs procedures to reduce administrative burdens for traders.
- Provide greater certainty for businesses by seeking to agree firm commitments for the release of goods.

Technical Barriers to Trade

- Continue to reduce technical barriers to trade by removing and preventing trade-restrictive measures in goods markets, while upholding the safety and quality of products and the UK's right to regulate in this area in the public interest.
- Seek further opportunities to make it easier for UK manufacturers to have their products tested against Swiss rules.
- Promote the use of international standards to further facilitate trade between the parties.
- These commitments will complement the [UK-Switzerland Mutual Recognition Agreement \(MRA\)](#) on conformity assessment, signed in November 2022.

Sanitary and Phytosanitary Measures (SPS)

- Uphold the UK's high standards of food safety, animal and plant health, and animal welfare, and the UK's right to regulate in these areas in the public interest.
- Increase cooperation on the important issues of animal welfare and antimicrobial resistance, including through the development and promotion of best practice.
- Enhance access for UK agri-food goods to the Swiss market by seeking commitments for dialogue and transparency on sanitary and phytosanitary measures, with a view to helping UK firms trade more easily.

Good Regulatory Practice and Regulatory Cooperation

- Ensure commitments in the FTA do not undermine our regulatory systems nor the right to regulate in accordance with domestic rules and procedures to achieve public policy objectives (including public health, safety, and environment goals).
- Seek commitments in the enhanced FTA to the application of good regulatory practice to facilitate market access, improve trade flows, and further enable regulatory cooperation. This will build on existing alignment between the UK and Swiss regulatory policy systems.

Transparency

- Ensure appropriate levels of transparency between the UK and Switzerland, particularly with regard to the publication of measures affecting trade and investment, in order to support market openness and increase the ease of doing business.
- Ensure the agreement is as accessible and easy to use as possible, including encouraging digital means of publication and user-centre design principles where possible, in order to facilitate businesses taking full advantage of the benefits of the agreement.

Procurement

- Seek to maximise access for UK businesses to compete for procurements at all levels of government, based on clear and enforceable rules and standards.
- Seek rules to ensure that procurement processes are simple, fair, open, transparent and accessible to all potential suppliers in a way that supports and builds on commitments in the current UK-Switzerland agreement.
- Ensure appropriate protections remain in place for key public services such as NHS health and care services, and broadcasting.

Competition

- Provide for effective competition law and regulatory enforcement that promotes open and fair competition for UK firms at home and in Switzerland.
- Provide for transparent competition laws, with strong procedural rights of action for businesses and people under investigation.
- Promote effective co-operation between enforcement agencies on competition matters.

Consumer Protection

- Ensure core consumer rights are protected, such as protecting consumers from fraudulent and deceptive commercial practices.
- Promote effective co-operation between enforcement agencies on consumer protection matters.

Subsidies and State-Owned Enterprises (SOEs)

- Pursue subsidies provisions that promote open and fair competition for UK firms at home and in Switzerland.

- Pursue provisions which promote open and fair competition between state-owned enterprises and private businesses by preventing discrimination and unfair practices.
- Pursue transparency commitments on Swiss state-owned enterprises, to support UK competitiveness in the Swiss market.
- Ensure that UK state-owned enterprises, particularly those providing public services, can continue to operate as they do now.

Trade Remedies

- Ensure provisions support market access, uphold our WTO commitments and are underpinned by transparency, efficiency, impartiality, and proportionality.
- Agree provisions which facilitate trade liberalisation while protecting against unfair trading practices.

Dispute Settlement

- Establish appropriate mechanisms that promote compliance with the agreement and seek to ensure that state to state disputes are dealt with consistently and fairly in a cost-effective, transparent, and timely manner whilst seeking predictability and certainty for businesses and stakeholders.

Small and Medium-Sized Enterprises Policy

- Seek dedicated SME provisions to facilitate cooperation and information-sharing between the UK and Switzerland to help small businesses navigate the requirements for exporting to each other's markets.
- Seek commitments to provide online information resources to help small businesses navigate requirements for exporting to each other's market.
- Seek to include provisions across the FTA that enhance cooperation between the UK and Switzerland on issues affecting SMEs. This will help SMEs make greater use of the opportunities under the FTA.

Environment and Climate

- Ensure provisions that support and help further the government's ambition on environment, climate change and achieve our shared goal of net zero greenhouse gas emissions by 2050, including collaborative commitments across a range of issues.
- Include provisions that promote trade and investment in environmentally and climate friendly goods and services.

- Maintain the UK's right to regulate to meet environmental objectives, including on climate change. Affirm commitments to Multilateral Environmental Agreements such as the UNFCCC and the Paris Agreement.
- Ensure that parties do not waive, derogate from or fail to enforce their domestic environment laws in ways that create an artificial competitive advantage.
- Apply appropriate mechanisms for the implementation, monitoring and dispute resolution of environment provisions.

Trade and Development

- Seek to deliver an agreement that supports the government's objectives on trade and development and promotes cooperation between the UK and Switzerland on trade and development activities.
- Seek to include provisions that address monitoring the impact of the FTA on developing countries outside the agreement.

Labour Standards

- Reaffirm commitments to international labour standards.
- Provide assurance that parties will not waive or fail to enforce their domestic labour protections in ways that create an artificial competitive advantage.
- Include measures which allow the UK to protect our regulatory sovereignty, maintain the integrity, and provide meaningful protection of the UK's labour protections.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of labour provisions.

Anti-Corruption

- Provide for provisions that address the trade distorting effects of corruption on global trade, investment and fair competition to help maintain the UK's high standards in this area.
- Provide for appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

Trade and Gender Equality

- Promote women's access to the full benefits and opportunities of this agreement as workers, business owners, entrepreneurs and consumers.
- Seek cooperation to address the barriers which disproportionately affect women in trade.

- Recognise the importance of upholding existing domestic and international commitments on gender equality.

Innovation

- Strengthen collaboration on innovation and trade policy, to identify and respond to future challenges and opportunities including in key innovative sectors such as life sciences, fintech, green tech, agritech and other industries with significant emerging technologies.
- Future-proof the FTA by ensuring it can respond appropriately to future innovations and business models in a changing world.

General Provisions

- Ensure flexibility for the government to protect legitimate domestic priorities by securing adequate general exceptions to the agreement.
- Provide for review of the operation of the agreement.
- Allow for the agreement to be amended when necessary, in support of mutual objectives.

Territorial Application

- Ensure provision to apply the agreement to all four constituent nations of the UK, taking into account the effects of the Windsor Framework.
- Provide for coverage of the agreement to the Crown Dependencies and Gibraltar and Overseas Territories as appropriate.

Chapter 3

Response to the Call for Input on
Trade Negotiations with
Switzerland



Chapter 3: Response to the Call for Input on Trade Negotiations with Switzerland

Introduction

This document is the government's response to the public call for input on an enhanced UK-Switzerland Free Trade Agreement (FTA) launched on 28 April 2022. Consumers, businesses, civil society, and members of the public were asked to provide feedback on which aspects of current trading arrangements with Switzerland we should look to improve or amend. The Department for Business and Trade (DBT) would like to thank all those who engaged with the process.

This document contains a summary of the responses received in the public consultation going through each response by policy area. It also includes DBT's approach to stakeholder engagement. Engaging with stakeholders is crucial for negotiating an agreement that works for the whole of the United Kingdom and delivers for all sectors of the economy.

The UK's strategic case and negotiating objectives set out the government's overall approach for talks on an enhanced UK-Switzerland FTA. The scoping analysis provides a preliminary analysis of the potential benefits of an enhanced FTA.

Overview of Responses

Over the 8 weeks that the call for input was open, we received submissions from 113 respondents representing a broad range of stakeholders from across the UK. This table gives an overview of the types of responses received. The responding business associations collectively represent nearly 600,000 businesses and organisations, and over 13 million employees.

Type of Respondent	Number of Responses
Business Responding in an official capacity, representing the views of an individual business.	42
Business association Responding in an official capacity, representing the views of a business representative organisation or trade association.	36
Individual Those responding with personal views, rather than as an official representative.	17
Public sector body Responding in an official capacity as a representative of a devolved administration, local government organisation, public service provider or other public sector body in the UK or elsewhere.	11
Non-governmental organisation	7

Responding in an official capacity as the representative of a non-governmental organisation, academic institution, trade union or other organisation.	
---	--

Key areas of focus

Overall, stakeholders wanted the existing benefits achieved through the current trading framework to be retained and enhanced.

A number of reoccurring points were raised by respondents in the consultation to enhance the bilateral trade and investment relationship with Switzerland. These include deepening our relationship in:

- Services
- Tariffs
- Customs and trade facilitation
- Intellectual property
- Innovation

Sectoral interest

The call for input drew interest from all sectors of the UK economy. Stakeholders across the sectors viewed prospective negotiations for an enhanced FTA as an opportunity to develop the existing trading relationship further, building on what had been achieved to date.

Agri-food stakeholders expressed interest in mutually lowering or removing tariffs on remaining agricultural products. Upholding and championing intellectual property was important to stakeholders in the creative industries.

Regarding financial services, respondents saw a significant opportunity to open up market access through greater regulatory cooperation. They also saw the need to secure strong commitments on mobility, the recognition of professional qualifications (RPQ) and data to enable the sector to capitalise on these gains.

There was a desire for the UK and Switzerland to deepen regulatory cooperation across a number of sectors, including life sciences, artificial intelligence, financial technology, agriculture and emerging regulatory issues.

Respondents, particularly Small and Medium Enterprises (SMEs), expressed an interest in simplified customs processes and reduced customs paperwork, especially for trusted traders. Stakeholders urged that an enhanced FTA reflect plans underway for the digitisation of customs procedures. Exporters of goods across sectors welcomed the benefits achieved to date through the current arrangements on rules of origin. Several looked for clearer, simpler and more flexible rules, with some respondents calling for better cumulation between the UK, Switzerland and the European Union where this is possible.

Responses by Policy Areas

This section contains more detailed information about policy areas raised in the consultation. An explanation of the policy and current UK-Swiss arrangements is provided alongside a summary of the feedback from respondents.

These include (in alphabetical order):

- animal welfare and sanitary and phytosanitary measures
- anti-corruption
- competition, consumer protection, subsidies and state-owned enterprises
- customs and trade facilitation
- development
- digital
- dispute settlement
- environment
- financial services
- gender equality
- good regulatory practice
- innovation
- intellectual property
- investment
- labour
- procurement
- rules of origin
- services
- small and medium-sized enterprises
- tariffs/goods market access
- technical barriers to trade
- telecommunications
- trade remedies

Animal welfare and Sanitary and Phytosanitary measures

Sanitary and Phytosanitary (SPS) measures ensure that food is safe for consumers and prevents the spread of pests or diseases among animals and plants. The current UK-Switzerland Trade Agreement does not include provisions on SPS, animal welfare or antimicrobial resistance.

Stakeholders replying to the consultation highlighted their support for SPS measures in trade to safeguard the UK's high standards. Switzerland's SPS regime is harmonised with the European Union (EU), and respondents raised issues around current additional barriers to trade, particularly around powdered foods. Stakeholders also called for a dedicated chapter on animal welfare to embed a shared commitment on high standards and promote the quality of British products.

Switzerland has precedent for including an SPS chapter in its FTAs, both bilaterally and as part of agreements signed by EFTA. They have not previously included animal welfare or antimicrobial resistance provisions. The UK has included SPS, animal welfare and antimicrobial resistance provisions in FTAs, such as those with Australia and New Zealand

and will seek to include these in a UK-Swiss FTA. The UK and Switzerland both have high standards and protections for consumers. The UK will maintain its own autonomous SPS regime and will not compromise on these high standards.

Anti-corruption

Tackling corruption is part of the 2030 Agenda for Sustainable Development and is appearing more frequently on the international policy agenda. Provisions on anti-corruption are becoming increasingly common in trade agreements. The current UK-Switzerland Trade Agreement does not include provisions on anti-corruption.

Respondents to the consultation noted that anti-corruption provisions should be included in an enhanced FTA with Switzerland.

Switzerland has not covered anti-corruption in previous FTAs. However, they play an active role in multilateral fora in this area (such as the [Organisation for Economic Co-operation and Development](#) and the [United Nations Convention against Corruption](#)). The UK government is committed to tackling corruption, to ensure free and fair global trade and competition.

The UK has a strong anti-corruption framework through the UK Bribery Act 2010, and the government is seeking to build partnerships and uphold standards in this area. As seen in recent FTAs, such as those with Australia and New Zealand, the UK will seek provisions that address the trade-distorting effects of corruption on global trade, investment, and fair competition to help maintain the UK's high standards in this area.

Competition, Consumer Protection, Subsidies and State-Owned Enterprises (SOEs)

Competition policy, SOEs and subsidies provisions ensure there is open and fair competition for businesses in each other's markets. Consumer protection provisions ensure that consumers are protected from harmful business practices. Competition policy covers the rules and regulations concerning the way businesses operate within a market and the enforcement of such rules to ensure that markets remain competitive for the benefit of consumers. SOE provisions provide for open and fair competition between commercially oriented SOEs and private businesses, for example, rules around non-discrimination and subsidies to SOEs. The current UK-Switzerland Trade Agreement does not include provisions on SOEs, subsidies, or consumer protection but has provisions directly on competition.

Feedback from respondents focused on the prevention of anti-competitive practices that result from monopolies, and market dominant segments. In addition, it was noted that non-discrimination rules applied to state-owned enterprises could allow UK businesses to compete on an equal footing to their Swiss counterparts.

Both the UK and Switzerland have agreed commitments related to competition policy, subsidies and state trading enterprises in their trade agreements. In relation to consumer protection, the UK has precedent for a consumer protection chapter in comparison to Switzerland's limited precedent for consumer e-commerce commitments. The UK will pursue provisions that provide open and fair competition for UK firms and ensure core consumer rights are protected.

Customs and trade facilitation

Customs procedures are applied by customs authorities to control the export, import and transit of goods. Ensuring that customs procedures are efficient, consistent, and transparent helps reduce friction at the border and facilitate trade. It can reduce costs and administrative burdens for businesses. A customs and trade facilitation chapter in a trade agreement ensures that procedures at the border are as facilitative as possible to make importing and exporting easier. The current UK-Switzerland Trade Agreement does not include a customs and trade facilitation chapter. However, it does contain provisions for both sides to review arrangements. Furthermore, the [UK-Swiss Authorised Economic Operator \(AEO\) Mutual Recognition Agreement](#), which entered into effect in September 2021, aims to provide continuity for UK and Swiss AEO businesses replicating benefits previously provided through the EU-Switzerland Customs Security Agreement.

Respondents asked for simplified customs processes and reduced customs paperwork wherever possible, especially for trusted traders. They also called for the digitisation of customs procedures, and noted the value of measures to streamline movement of goods through customs, especially for perishable goods.

Like the UK, Switzerland has fully implemented the World Trade Organization (WTO) [Trade Facilitation Agreement](#) and has precedent for including trade facilitation chapters in its FTAs. As seen in recent FTAs, such as those with Australia and New Zealand, the UK will seek a modern, comprehensive and ambitious customs and trade facilitation chapter.

Trade & Development

Trade is a key driver of economic growth which can trigger positive changes in a country's economy, helping to raise incomes, create jobs and lift people out of poverty. The existing UK-Switzerland Trade Agreement does not include any trade and development provisions.

Respondents noted that supporting and strengthening global sustainable development was an issue that should be addressed in an enhanced trade agreement with Switzerland.

Switzerland has no precedent of including any trade and development provisions in previous FTAs. As part of the UK's independent trade policy, the government has committed to assessing the impacts of trade agreements on developing countries and considers measures to address risks and maximise opportunities for development. This helps deliver on its public commitment to ensure trade and development policies remain mutually reinforcing. This has been evidenced by the standalone Trade and Development Chapters the UK concluded with Australia and New Zealand. The UK will therefore work closely with Switzerland on trade and development priorities with the aim of monitoring the impact of the FTA on developing countries outside the agreement.

Digital

Digital marketplaces and data flows have grown exponentially over the last decade. Data underpins modern trade, forming a core part of global value chains. The current UK-Switzerland Trade Agreement does not include a digital chapter.

Respondents called for a digital chapter to enshrine commitments on cross-border data flows and maximise collaboration on data sharing. This would support cross-border trade whilst maintaining high personal data protection standards. The [UK-Singapore Digital Economy Agreement \(DEA\)](#) was repeatedly highlighted as an example of best practice in this regard. Stakeholders also spoke of the importance of preserving EU data adequacy by maintaining high standards to allow a three-way flow of data to continue. In addition, they noted the importance of collaborating on cyber security and prohibiting unjustified data localisation requirements. The protection of intellectual property, including source code and encryption technologies, and commitments on digitised customs procedures were other areas raised by stakeholders.

Switzerland has included several digital trade commitments in their bilateral agreement with Japan. The UK is a strong supporter of digital provisions within trade agreements, such as those contained within FTAs with Australia and New Zealand as well as the Singapore DEA and the UK-Ukraine Digital Trade Agreement. The UK will seek modern and ambitious provisions that ensure digital markets are open and facilitate more efficient and secure trade and investment.

Dispute Settlement

Dispute settlement is commonly used in reference to the formal state-to-state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement, and it has not been possible to resolve the dispute informally. The current UK-Switzerland Trade Agreement sets out the responsibility of a Joint Committee for the proper implementation of the agreement, but does not set out any formal dispute settlement mechanism.

While respondents to the consultation did not specifically refer to dispute settlement, it is a fundamental component of any FTA.

Switzerland has included dispute settlement in previous bilateral and EFTA FTAs. The UK considers a strong and effective dispute settlement mechanism to be an essential part of modern and comprehensive FTAs to maintain adequate implementation of the agreement and enforcement commitments between parties. They facilitate the resolution of state-to-state disputes in a manner that is fair and timely, promoting certainty for stakeholders. This builds on the precedents set in the UK's FTAs with Australia and New Zealand. The UK will seek to include comprehensive provisions that ensure effective and timely dispute settlement.

Environment

The UK remains committed to maintaining its high standards of environmental protection in trade agreements, and to reaffirming our continued right to regulate, including to meet [Net Zero](#). The current UK-Switzerland Trade Agreement does not include any commitments on the environment.

Numerous respondents noted the importance of environment and climate change provisions in any future agreement. These should reflect the UK's climate ambitions and explore opportunities to cooperate with Switzerland to further these goals, particularly in supporting trade in environmental goods and services. Respondents across a range of

sectors raised areas of interest including supporting innovation in green technologies, developing aligned approaches towards green and sustainable finance, promoting climate-friendly practices and helping both countries transition to net zero. Respondents also stressed the need to maintain the UK's current environment standards and to ensure UK businesses are not disadvantaged.

Switzerland has included chapters on trade and sustainable development in bilateral and EFTA FTAs, which cover workers' rights and inclusive economic growth, as well as the environment. Switzerland and UK both have similar precedents on areas like right to regulate, non-derogation, promoting trade in environmental goods and services and strengthening cooperation in the FTAs that they are party to. The UK has precedent of dedicated environment chapters in FTAs, including with Australia, New Zealand and EEA EFTA. The UK will continue to demonstrate global leadership on the climate and environment, ensuring commitments that support and further our shared goal of net zero greenhouse gas emissions by 2050.

Financial services

Financial services were the UK's second largest export in services trade in 2022, worth £2.3 billion.⁶ The UK and Switzerland are two leading financial services jurisdictions with a strong track record of leadership in enhancing global financial services trade. The current UK-Switzerland Trade Agreement contains no provisions on financial services.

Respondents identified a significant opportunity to open up market access through greater regulatory cooperation. They also highlighted the need to secure strong commitments on mobility, mutual recognition of professional qualifications (RPQ) and data to enable the sector to capitalise on these gains.

Switzerland and EFTA often annex Financial Services content rather than including a separate chapter. This approach is also frequently found in agreements negotiated by the European Union. The UK often takes a different approach, with recent FTAs including standalone chapters on financial services. The UK will seek to expand opportunities for UK financial services, easing frictions to cross-border trade and agreeing ambitious provisions.

Trade and Gender Equality

Gender equality is a crucial issue, affecting all areas of trade. The UK is committed to a trade policy that upholds gender equality and which promotes the role of women in trade both domestically and around the world. The current UK-Switzerland Trade Agreement does not include provisions on gender equality.

A number of respondents highlighted the importance of keeping gender equality at the top of negotiation agendas, and seeking provisions to improve it, for example around equality of access to services for women.

Switzerland has not previously included a chapter on gender equality in bilateral FTAs. The UK has included gender equality provisions in Agreements it has signed with Australia, New Zealand and EEA EFTA which aim to increase the ability of women to access the benefit of our FTA.

⁶ ONS (2023), UK trade in service: service type by partner country, non-seasonally adjusted, January 2023 edition

Good Regulatory Practice

Good Regulatory Practice (GRP) helps create a predictable, transparent and stable regulatory environment, a key factor for businesses when deciding whether to enter overseas markets. In all FTA negotiations, the government aims to reduce non-tariff barriers to trade, creating a stable regulatory environment for businesses. The current UK-Switzerland Trade Agreement contains no specific Good Regulatory Practice (GRP) provisions.

A number of respondents backed the inclusion of dedicated GRP provisions in an enhanced FTA to ensure stable and transparent regulatory environments and reduce unnecessary non-tariff barriers to trade. Some highlighted the importance of future proofing the regulatory trade environment - a key consideration for UK businesses currently trading with Switzerland. Other stakeholders were also keen to have increased regulatory dialogue and cooperation.

While Switzerland has no precedent for including a GRP chapter, they have agreed to seven FTAs with specific transparency chapters, some of which contain GRP provisions. Both the UK and Switzerland have high rankings from the Organisation for Economic Co-operation and Development (OECD), and there is already significant alignment between our regulatory policy systems, which we hope to build on in an enhanced FTA with Switzerland. The UK has negotiated GRP chapters in a number of FTAs, including those with Australia, New Zealand, EEA EFTA and the EU. In an FTA with Switzerland, the UK will aim to reduce regulatory obstacles, facilitate market access and improve trade flows by encouraging a transparent, predictable and stable regulatory environment.

Innovation

The UK and Switzerland are two global leaders in innovation, with Switzerland ranking number one and the UK number four in the Global Innovation Index. In FTAs, provisions on innovation aim to provide a mechanism to discuss the impacts that innovation can have on trade and helps to ensure the agreement remains fit for purpose as our economies grow. The current UK-Switzerland Trade Agreement contains no innovation provisions.

Respondents indicated a desire for the UK and Switzerland to deepen cooperation across a number of sectors in this area, including life sciences, artificial intelligence, financial technology, agriculture and emerging regulatory issues. They noted the value of an innovation chapter, and a desire to see one included within the FTA.

Switzerland has not included a chapter on innovation in previous FTAs. As set out in the UK's Innovation Strategy, our ambition is to be a global leader in innovation and secure innovation chapters within FTAs with strategic partners, as we did with Australia. The UK will look to ensure that an FTA with Switzerland is innovation-friendly and is fit for purpose as new technologies emerge and our trade relationships and economies grow.

Intellectual property

Intellectual property-rich creative industries make a significant contribution to the UK economy, with £64bn of intangible investment in the UK being protected by intellectual property (IP) rights in 2015.⁷ IP covers creations of the mind and these are protected by

⁷ Intellectual Property Office (2016), UK intangible investment and growth.

law by a variety of IP rights such as patents, copyright, trade marks, design rights and geographical indications (GIs). There is no IP chapter in the current UK-Switzerland Trade Agreement.

Respondents recognised that the UK and Switzerland both currently have high standards across a range of IP rights. Stakeholders raised opportunities in a number of different areas, including enforcement and copyright, for further collaboration.

Switzerland has precedent for including IP chapters in FTAs, both bilaterally and as part of EFTA. The UK has included IP chapters in its FTAs, as seen in agreements with Australia and New Zealand, covering a comprehensive range of IP rights. The UK recognises the need for this agreement to deliver a balanced outcome for right holders, users, consumers, and wider societal interests.

Investment

The government recognises the importance of FTAs in facilitating investment flows, through reducing barriers to investment and ensuring legal certainty for investors. The current UK-Switzerland Trade Agreement does not include provisions on investment. Overall, respondents called for ambitious provisions that remove barriers to investment, ensure the fair treatment of overseas investments and attract more investment into the UK. This would be through an investment chapter or other relevant provisions. Some respondents expressed opposition to the inclusion of investor state dispute settlement (ISDS) provisions.

Switzerland's existing FTAs include commitments that improve the legal framework conditions for investors, including investment liberalisation and investment promotion. As it has in its FTAs with Australia and New Zealand, the UK will look to agree commitments with Switzerland that facilitate investment flows, through addressing barriers to investment and ensuring legal certainty for investors.

Labour

The government shares the public's high regard for worker protections and has made clear that we will not compromise on these in FTAs. The UK will maintain its standards on workers' rights. The current UK-Switzerland Trade Agreement does not include provisions on labour.

The majority of respondents acknowledged high labour standards in both the UK and Switzerland. Many stressed that the new agreement should look to maintain and reflect these high labour standards.

The UK and Switzerland both have similar precedents on areas like right to regulate, non-derogation, enforcement of labour laws, and cooperative measures in the FTAs that they are party to. Switzerland is party to numerous FTAs with labour provisions, including in its bilateral agreements with Indonesia, Japan and China. In some policy areas that the UK does have precedent on, such as modern slavery, Switzerland has not made commitments in the past. The UK has labour chapters in all of its new FTAs negotiated from scratch since leaving the European Union. In an FTA with Switzerland, the UK will seek to

maintain its standards on workers' rights, reaffirming commitments to international labour standards.

Procurement

A procurement chapter includes provisions that aim to support access for UK suppliers to the trading partner's government procurements (and vice versa). The existing UK-Switzerland Trade Agreement contains procurement provisions that build upon the rules and access granted under the WTO's [Agreement on Government Procurement \(GPA\)](#).

Respondents called for greater access to Swiss public sector contracts and a level playing field that operates at national, cantonal and city state levels. There was significant support across a range of industries (including telecoms, rail, and financial and professional services) for greater access to Swiss public sector procurement contracts. Consistency of access and rules across EEA EFTA and the EU is desirable for businesses.

Switzerland uses an approach of incorporating the GPA in its FTAs with GPA Parties by reference (rather than setting it out again). The UK however uses different precedents with different GPA Parties – both setting it out with further amendments to enhance it (including FTAs with Australia and New Zealand) and making reference to it similar to Switzerland and making additions (the agreements with EEA EFTA and the EU). The UK is committed to procurement provisions within trade agreements that promote competition, non-discrimination and transparency within the government procurement markets of the trading partner. The UK will seek to maximise access for UK businesses to compete for procurements at all levels of Swiss government, whilst ensuring appropriate protections remain in place for key public services such as NHS health and care services and broadcasting.

Rules of Origin

Rules of origin are used to determine the 'economic nationality' of a good. In FTAs, their purpose is to define which goods can benefit from the agreement, ensuring that it is the traders of the parties to the agreement that benefit from tariff reductions. Under the current UK-Switzerland Trade Agreement, goods must "originate" in either the UK or Switzerland in order to benefit from the preferential tariff rates. The UK-Switzerland Trade Agreement also includes cumulation provisions that allow EU materials to be recognised as originating in UK and Switzerland exports to one another to provide continuity for business after the UK left the EU. This also applies to materials from any country of the [Pan-European Mediterranean \(PEM\) Convention](#) with whom the UK and Switzerland both have an FTA.

Stakeholders welcomed the benefits achieved to date through the current arrangements. Several looked for clearer, simpler and more flexible rules, with some respondents calling for better cumulation between the UK, Switzerland and the European Union where possible.

Switzerland is generally disposed to trade facilitation and modernised administrative processes. The UK will seek flexible and facilitative rules, such as those in its FTA agreements with Australia and New Zealand, to minimise costs and encourage uptake of preferential access by UK business, especially SMEs. The government recognises that existing preferential access and certainty for supply chains are vital for both UK and Swiss

businesses. The UK will seek simple and modern rules of origin, which recognise both existing and future supply chains, and are supported by predictable and low-cost administrative arrangements.

Services

Services are the predominant driver of the UK economy, contributing around 80% of economic activity each year and employing over 26 million people (approximately 82% of total employment).⁸ The 2019 UK-Switzerland Trade Agreement contains no substantive services provisions, meaning that UK-Switzerland services trade currently rely on the rules under the WTO's [General Agreement on Trade in Services \(GATS\)](#). This represents the level of access and the treatment granted to all WTO members.

In December 2020, the UK and Switzerland signed the [Services Mobility Agreement \(SMA\)](#), which both sides agreed to extend in November 2022 for an additional three years. Outside of the SMA, Switzerland has little third country Entry and Temporary Stay precedent and businesses have emphasised the importance of strong business mobility commitments such as procedural facilitation in supporting UK business persons accessing the Swiss services market.

Respondents also highlighted the potential benefits from better market access for UK businesses, including through greater regulatory cooperation and recognition of professional qualifications, as well as data flows to enable the sector to capitalise on these gains.

Switzerland has FTA precedent for provisions on services that build on the outcomes of GATS in areas including market access, mobility and the recognition of professional qualifications, for example in their bilateral agreement with Japan. The UK has precedent for ambitious trade in services provisions as part of wider packages of services and investment chapters and annexes, such as in its FTAs with the EU, EEA-EFTA, Australia and New Zealand. The UK will reflect stakeholder views and priorities as it seeks to bring together and build on these precedents in the FTA.

Small and Medium-sized Enterprises

Small and medium-sized enterprises (SMEs) make up over 99% of all businesses in the UK and Switzerland and are responsible for a significant amount of trade between our countries.^{9, 10} The government is committed to seeking FTAs that reduce potential barriers to international trade faced by smaller businesses, which often have fewer resources than their larger counterparts. There are no SME provisions in the current UK-Switzerland Trade Agreement.

Respondents called for a dedicated SME chapter in an enhanced FTA as a priority. In addition, many called for better information sharing provisions on various trade issues, accessible to businesses of all sizes.

Switzerland has no precedent for including an SME chapter. By contrast, the UK has

⁸ ONS (2019), Services sector, UK: 2008 to 2018.

⁹ BEIS (2022), Business population estimates for the UK and regions 2022.

¹⁰ SECO SME portal, Figures on SMEs: Companies and jobs.

negotiated SME chapters in various agreements, including those with Australia, New Zealand, EEA EFTA and the EU. To help SMEs take advantage of the trade opportunities created by an FTA with Switzerland, the UK will seek dedicated SME provisions to facilitate cooperation and information-sharing, helping small businesses navigate the requirements for exporting to each other's markets.

Tariffs/Goods market access

Tariffs are customs duties on imported goods. Outside of trade agreements, tariffs are applied on a Most Favoured Nation (MFN) basis. Under the current UK-Switzerland Trade Agreement, 79.0% of Switzerland's tariff lines on imports from the UK are fully liberalised, covering about 99.5% of the value of current Swiss imports from the UK on average between 2018 and 2020.¹¹ All non-agricultural products are fully liberalised under the current agreement.

Respondents expressed interest in lowering or removing tariffs where these remain in place on agricultural products, including those relating to beef, lamb, dairy, processed foods and horticulture. A number of respondents raised that the complexity of the present arrangements presents a barrier for some exporters.

Tariffs are a usual part of FTA negotiations for both the UK and Switzerland. In comparison to the UK, Switzerland has typically offered more limited tariff liberalisation, particularly in agricultural market access. In previous UK FTAs, such as those with Australia and New Zealand, the UK has generally liberalised tariffs, with protections in place. The UK will secure reductions or the removal of remaining tariffs for UK exports, reflecting UK producer interests.

Technical Barriers to Trade

Technical barriers to trade (TBT) are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The current UK-Switzerland Trade Agreement does not contain a dedicated chapter on technical barriers to trade. However, TBT elements feature in the incorporated Agriculture Agreement and 3 key sectors rolled over from the EU-Switzerland Mutual Recognition Agreement (MRA).

These include Motor Vehicles; Good Laboratory Practice; and Medicinal products, Good Manufacturing Practice (GMP) inspection and batch inspection. On 17 November 2022, the UK and Switzerland signed a Mutual Recognition Agreement to reduce non-tariff barriers related to conformity assessment in a further five sectors. These are electrical equipment and electromagnetic compatibility, measuring instruments, radio equipment, transportable pressure equipment, and noise emitting equipment for use outdoors.

Respondents called for the high standards held by both countries to be maintained and clearly defined. Generally, stakeholders look to a continuation of the existing regulatory relationship between the UK and Switzerland, including the UK-Switzerland mutual recognition agreements on conformity assessment. A number of submissions requested the inclusion of a modern TBT chapter to facilitate mutual recognition and encourage

¹¹ DBT calcs using tariff data from The Federal Office for Customs and Border Security (Tares) (2021), ad valorem equivalents (AVEs) from ITC Market Access Map (MacMap) for 2020 and average Swiss imports from the UK between 2018-20 from ITC TradeMap.

regulator cooperation and information exchange.

TBT is a staple chapter in most modern FTAs and appears in Switzerland's bilateral agreements with China and Japan. All UK free trade agreements to date protect our right to decide our own regulatory standards and how the UK enforces them. Whilst reducing technical barriers to trade the UK will continue to protect this and uphold the safety and quality of our products.

Telecommunications

Telecommunications provisions in trade agreements support competition in the telecommunications sector, enabling market access for services providers, creating a more effective and innovative global telecommunications sector and benefiting consumers. The current UK-Switzerland Trade Agreement does not contain a telecommunications chapter.

Respondents were keen to ensure that the Swiss telecommunications market is open, non-discriminatory, and pro-competitive. They also looked for a consistent UK approach with other agreements on telecommunications trade with Switzerland.

The UK and Switzerland are both signatories to the [WTO Telecommunications General Agreement on Trade in Services \(GATS\)](#) Annex and Reference Paper. The UK has agreed several telecommunications chapters with partners including Australia, New Zealand and EEA EFTA, building on rules in GATS. Within a telecommunications chapter, the UK will seek to promote a liberal and non-discriminatory market that minimises barriers and secures greater connectivity for UK consumers and businesses.

Trade Remedies

Trade remedies refer to policy measures that are used to protect domestic industries from unfair trade practices or unexpected surges in imports. The current UK-Switzerland Trade Agreement does not have a dedicated trade remedies chapter and only includes a handful of provisions, many of which are outdated and not in line with the UK's core trade remedies policy.

Respondents noted that trade remedies should be included within an enhanced UK-Switzerland FTA and that opportunities should be explored on how to expand and improve on our current trade remedies provisions. Many highlighted the prospect of developing a distinct trade remedies chapter that is fit for purpose, bringing all the relevant provisions in one place.

Switzerland has indicated that they are reluctant to include trade remedies provisions. The UK recognises trade remedies as an important part of a balanced approach to trade, providing an opportunity to affirm our obligations under WTO agreements and assure domestic industry. The UK has a good track record of securing comprehensive trade remedies chapters in its FTAs as seen in the UK's agreements with Australia, New Zealand and EEA EFTA. The UK will seek provisions that uphold our WTO commitments and facilitate trade liberalisation whilst protecting against unfair trading practices.

Approach to Stakeholder Engagement

We are grateful to those who responded to the 8-week public call for input on an enhanced FTA with Switzerland and recognise the significance and weight of the feedback on the topics raised. DIT has worked closely with other government departments during the consultation period and subsequently to analyse the feedback. The feedback gathered from this consultation will continue to inform our overall approach to negotiations on an enhanced FTA with Switzerland.

To build a trade policy that works for the whole of the UK it is crucial that we engage with stakeholders and call upon expert views and opinions to help inform our work. We recognise the importance of developing a trade policy that commands broad public support, with policy objectives that can be met while mitigating the concerns raised by respondents. We will aim to maximise the benefits felt across UK society and its regions.

All voices are important, which is why DBT seeks to consult as widely as possible to ensure new international trade agreements and future trade policy benefits the whole of the UK.

To ensure that an enhanced FTA with Switzerland works for the whole of the UK, we will ensure that Parliament, the devolved administrations (DA's), local government, business, trade unions, civil society, and the public from every part of the UK have the opportunity to engage and contribute throughout the lifecycle of the negotiations.

We will continue to engage through:

- Engagement and outreach events across the whole UK, including stakeholders roundtables in each nation. **Any organisations interested in speaking to us about an enhanced FTA with Switzerland should do so by emailing ch.fta.engagement@trade.gov.uk.**
- The [Strategic Trade Advisory Group](#) (STAG), to seek informed stakeholder insight and views on relevant trade policy matters;
- [Trade Advisory Groups](#) (TAGs) and Thematic Working Groups (TWGs), to contribute to policy development at a detailed technical level;
- The [Trade Union Advisory Group](#) and regular roundtables with Civil Society groups;
- For further information on advisory groups get in touch by emailing external.engagement@trade.gov.uk .

The government is committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny. As part of this commitment, DBT will provide regular updates through a variety of communication channels and fora throughout negotiations. We will review our approach to engagement at each stage of the programme in order to

assure that existing mechanisms are fit for purpose. We welcome further and ongoing feedback and input from stakeholders on our approach to engagement.

Engagement with devolved administrations, Crown Dependencies and Overseas Territories

The UK government is responsible for negotiating and agreeing international trade agreements on behalf of all the nations and regions in the UK. Trade negotiations intersect with domestic policy areas that are devolved to the nations, such as public procurement, the provision of public services and environmental standards. As such, the devolved administrations in Wales, Scotland and Northern Ireland have a significant interest in international trade policy. The UK government is working closely with the devolved administrations to deliver an international trade policy that reflects the interests of all the nations within the UK.

We have built close working relationships with colleagues in Wales, Scotland and Northern Ireland at a ministerial and official level on trade matters. These discussions will continue to develop as the UK pursues an ambitious independent trade agenda.

The government also fully recognises the constitutional responsibilities it holds towards the Crown Dependencies and Overseas Territories. We work closely with these stakeholders to ensure that their interests are actively represented in our FTA programme and directly in trade negotiations.

If you want to learn more about talks on an enhanced UK-Switzerland FTA reach out to us at ch.fta.engagement@trade.gov.uk.

Chapter 4

Scoping Analysis



Chapter 4: Scoping Analysis

1. Introduction

The Scoping Analysis sets out the potential economic impact of a renegotiated UK-Swiss Confederation (Switzerland) Free Trade Agreement (FTA).

The United Kingdom (UK) currently trades with Switzerland under the UK-Switzerland Trade Agreement, which came into force on 1st of January 2021. This agreement replicates the existing trade agreements between the European Union and Switzerland as far as possible. There is no single comprehensive Trade Agreement between the EU and Switzerland but a series of smaller agreements that have been built up over 45 years. These agreements focus mainly on trade in goods, whilst also addressing some other areas such as government procurement.

There is no comprehensive agreement on trade in services to replicate, but in 2020 the UK and Switzerland secured the Services Mobility Agreement (SMA), which allows UK professionals to work in Switzerland for up to 90 days without a work permit. This came into force on 1st January 2021 and is set to expire on 31st December 2025. In 2022, the UK and Switzerland signed the Mutual Recognition Agreement on goods (MRA) which has been applied provisionally since 1st January 2023. This applies to a specific set of goods which when tested in the UK against Swiss regulations can be sold in Switzerland without additional testing in Switzerland.

The Department for Business and Trade (DBT) is preparing for negotiations to upgrade the current set of agreements to a new, modern, and comprehensive Trade Agreement. It will be adapted to build on the strengths of the UK and Switzerland, focusing on areas not significantly covered by the existing agreement such as services, mobility, and investment. A new agreement with Switzerland is expected to present new opportunities in services sectors, such as financial services, professional and business services, digital services, and new opportunities in goods trade through opened market access and simplified Rules of Origin (RoO) and customs.

As a member of the European Free Trade Association (EFTA), Switzerland has normally concluded FTAs together with Norway, Iceland and Liechtenstein. In 2021, the UK signed an agreement with Norway, Iceland, and Liechtenstein (the EEA EFTA States). Switzerland can negotiate bilateral agreements outside this framework, as in the case of agreements with Japan (2009) and China (2013).

About Scoping Analysis

Scoping Analysis is used where the negotiations cover an augmentation of an existing trade agreement and focus on where the UK can make additional gains. It uses tools including tariff analysis and descriptive analysis as the main evidence base to highlight where there are remaining barriers to trade. Given there is an existing FTA in place already, it does not include economic Computable General Equilibrium (CGE) modelling which estimates the potential impacts on the macroeconomy. Tools such as CGE

modelling and services gravity modelling can also not be deployed in this instance due to data limitations.¹²

At the end of negotiations, an Impact Assessment will be published.

A note on data and statistics

Statistics in this scoping analysis are based on 2022 or the latest available data as of May 2023, unless otherwise specified. Tariff liberalisation analysis uses 2018-2020 average trade flow data. Due to the COVID-19 pandemic, trade data was more volatile in 2020 and 2021.

¹² This is due to difficulties establishing a baseline with which to compare an enhanced FTA. The complexity of the current UK-Switzerland relationship, which is based on a series of smaller continuity EU-Switzerland agreements in addition to the SMA and MRA, makes it prohibitive to quantify the baseline in the services trade restrictiveness index (STRI) database which is used to model changes to services provisions in FTAs.

2. The rationale for a bilateral FTA with Switzerland

- **This is an opportunity to expand the scope and depth of existing arrangements with an important trading partner.** Trade between the UK and Switzerland has quadrupled over the past 20 years to reach £52.8 billion in 2022. The current agreement is predominantly goods focussed and does not include areas associated with more modern and comprehensive FTAs. Renegotiations provide an opportunity lock in existing benefits and expand to cover a broader number of key areas of shared strength including services, digital and data, and the environment.
- **There are particular opportunities to increase trade in services and investment, a key driver of economic growth in both countries.** As services represent over 70% of GDP for both economies, the UK and Switzerland have much to gain from enhancing the current agreement. The current agreement does not include services provisions, yet nearly half of bilateral trade is in services. The FTA provides a chance to remove non-tariff barriers and support further growth in these areas. There is also an opportunity to embed and build on existing arrangements under the Services Mobility Agreement to facilitate the movement of skilled business persons and make it easier to deliver services in both countries. In 2019, there were an estimated 383,000 business visits from the UK to Switzerland and 229,000 visits in the other direction. The deal could support trade in vital sectors such as financial services, professional and business services, and life sciences.
- **A bespoke FTA could foster conditions to support and promote innovation between two of the top innovative nations, including in digital and emerging technologies.** There are opportunities for the UK and Switzerland to agree to cutting edge digital and data provisions that support all sectors of the UK economy to trade online. Digitally delivered services accounted for 69% of UK services exports to Switzerland in 2019, rising to 80% in 2021, in the context of the COVID-19 pandemic. Both countries' shared values also provide significant opportunities for greater cooperation in areas of mutual interest that trade can support, such as ambitions for tackling climate change and promoting green technology.
- **An enhanced FTA could support UK businesses to export into the Swiss market by reducing or eliminating burdensome tariffs.** There is also an opportunity to negotiate the reduction or removal of existing tariffs on agricultural goods not covered by the current trade agreement. Removing the remaining tariffs on UK exports to Switzerland could reduce the current estimated £7.4 million duties paid on exports. Swiss tariffs on some products, such as red meat, chocolate and baked goods, are currently very high, with businesses describing them as a key barrier to trade.
- **An upgraded agreement will bring further economic opportunities for the whole of the UK and support SMEs across the country to benefit from trade.** A new FTA with Switzerland will provide increased opportunities for businesses

across the UK that are involved in trade with the country. As well as supporting regions like Northern Ireland and the East of England by reducing tariffs, a new agreement will benefit the UK's world-leading services companies, such as the top financial services firms based in London, Scotland and the North West. In 2021, 14,100 UK businesses exported goods to Switzerland, of which 86% were Small and Medium Enterprises (SMEs). This agreement could support SMEs trade with Switzerland by streamlining existing complex arrangements, simplifying and digitalising customs procedures and ensuring SMEs can access the wider benefits of a new FTA.

3. The existing trade and economic relationship between the UK and Switzerland

Total trade in goods and services between the UK and Switzerland was worth £52.8 billion in 2022, which consisted of £33.3 billion of UK exports to Switzerland and £19.5 billion of UK imports from Switzerland. Switzerland was the UK's 10th largest trading partner in 2022.¹³ In 2021, 14,100 UK businesses exported goods to Switzerland, of which 86% were Small and Medium Enterprises (SMEs).¹⁴

Figure 1: Economic indicators for the UK and Switzerland



Source: IMF World Economic Outlook (October 2022); World Integrated Trade Solution (WITS); ONS UK total trade: all countries, non-seasonally adjusted, April 2023 edition; HMRC UK trade in goods by business characteristics 2022.

Trade in services

Services activity accounts for the majority of UK economic activity and a large proportion of exports. In 2021, the sector provided 80% of UK economic output by value, a high proportion even among developed economies.¹⁵ Total trade in services with Switzerland in 2022 was worth £23.7 billion, made up of £14.9 billion of UK exports and £8.8 billion of UK imports.¹⁶

The top services trade between the UK and Switzerland in 2022, shown in Figure 2, was other business services, 53% of total services trade.¹⁷ 77% of imports and 44% of exports in this category were professional and management consulting services. Other key exports were financial services and telecommunications, which together with other business

¹³ ONS (2023), UK total trade: all countries, non-seasonally adjusted, April 2023 edition.

¹⁴ HMRC (2022), UK trade in goods by business characteristics 2021 data tables.

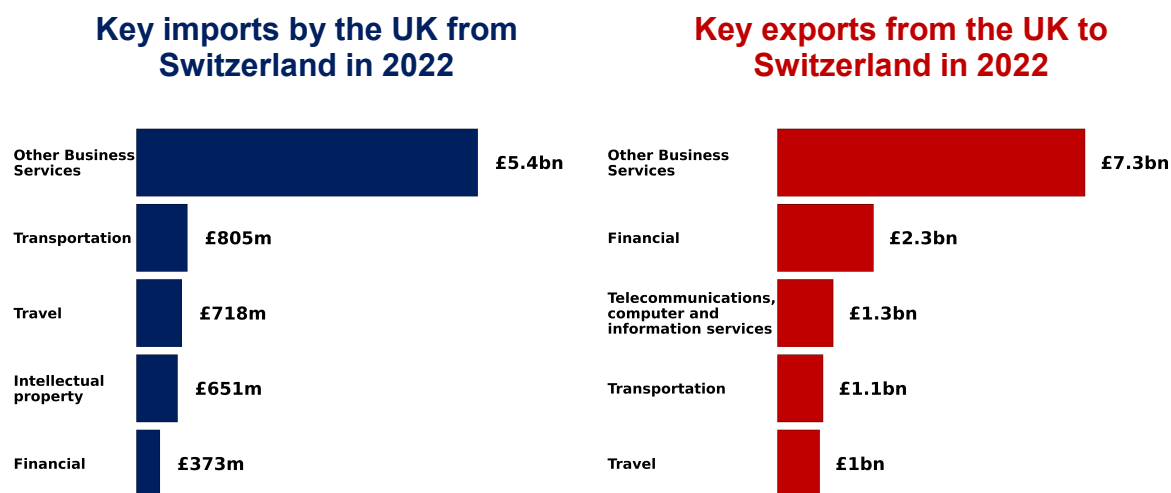
¹⁵ OECD (2022), Value added by activity.

¹⁶ ONS (2023), UK total trade: all countries, non-seasonally adjusted, April 2023 edition.

¹⁷ ONS (2023), UK trade in services: service type by partner country, non-seasonally adjusted, April 2023 edition; 'Other Business Services' includes professional services such as management consulting, legal, accounting, and architecture, as well as numerous other miscellaneous services.

services made up 73% of all UK services exports to Switzerland. The other top services imports were transportation and travel, which together with other business services, made up 77% of total services imports from Switzerland in 2022.

Figure 2: Key services traded between the UK and Switzerland in 2022



Source: ONS UK trade in service: service type by partner country, non-seasonally adjusted, April 2023 edition

Trade in goods

Total trade in goods with Switzerland increased from £11.6 billion in 2012 to £29.2 billion in 2022, a 152% increase. The UK exported around £18.5 billion of goods to Switzerland in 2022.¹⁸ The UK's top export category was unspecified goods (£12.1 billion) making up 65% of total exports. According to HMRC data, 99% of this was non-monetary gold (gold bullion, gold coin, unwrought or semi-manufactured gold and scrap), which is sometimes excluded from trade statistics due to its volatility and neutral direct impact on GDP.¹⁹ The UK's other top exports were non-ferrous metals, works of art and medicinal and pharmaceutical products. These three products together accounted for 14% of all UK

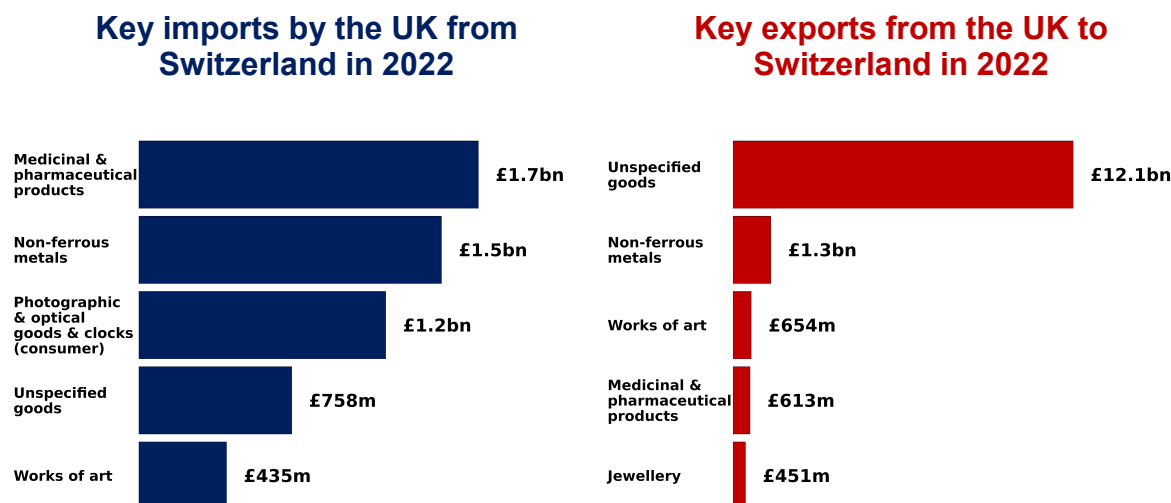
¹⁸ ONS (2023), UK total trade: all countries, non-seasonally adjusted, April 2023 edition.

¹⁹ HMRC (2023), Overseas trade by Standard International Trade Classification (SITC): custom tables. Available at: <https://www.uktradeinfo.com/trade-data/ots-custom-table/?id=ae291ce6-bb20-4f7f-b9ef-fbdc96414b3b>; Non-monetary gold (NMG) is dominated by financial transactions, where gold is traded as a safe-haven asset, often without moving borders or even being physically present in the country reporting the trade. This makes trade in NMG volatile, but 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. 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/>

goods exports to Switzerland in 2022.²⁰ Across 2018-2020, 99.5% of the value of exports (79.0% of tariff lines) to Switzerland was eligible for tariff-free trade.²¹

Similarly, the UK imported around £10.7 billion of goods from Switzerland in 2022.²² Medicinal and pharmaceutical products was the UK's top goods imports from Switzerland, followed by non-ferrous metals and photography equipment and clocks, as shown in Figure 3.²³ Together, these three product groups accounted for 41% of all UK goods imports from Switzerland in 2022. Across 2018-2020, 99.7% of the value of imports (81.1% of tariff lines) from Switzerland were eligible for tariff-free trade.²⁴

Figure 3: Key goods traded between the UK and Switzerland in 2022



Source: ONS Trade in goods: country-by-commodity imports and exports, April 2023 edition.

The existing UK-Switzerland trade agreement has ensured that UK exports have preferential access to the Swiss market. Were the UK trading on MFN (most favoured nation) terms, UK exports would have incurred estimated annual duties of £42m. The preferential tariffs under the existing agreement reduce annual duties on UK exports.²⁵

²⁰ ONS (2022), Trade in goods: country-by-commodity exports, April 2023 edition.

²¹ DBT calcs using tariff data from The Federal Office for Customs and Border Security (Tares) (2021), ad valorem equivalents (AVEs) from ITC Market Access Map (MacMap) for 2020 and average Swiss imports from the UK between 2018-20 from ITC TradeMap. It assumes full utilisation of tariffs and compliance with rules of origin requirements.

²² ONS (2023), UK total trade: all countries, non-seasonally adjusted, April 2023 edition.

²³ ONS (2023), Trade in goods: country-by-commodity imports, April 2023 edition.

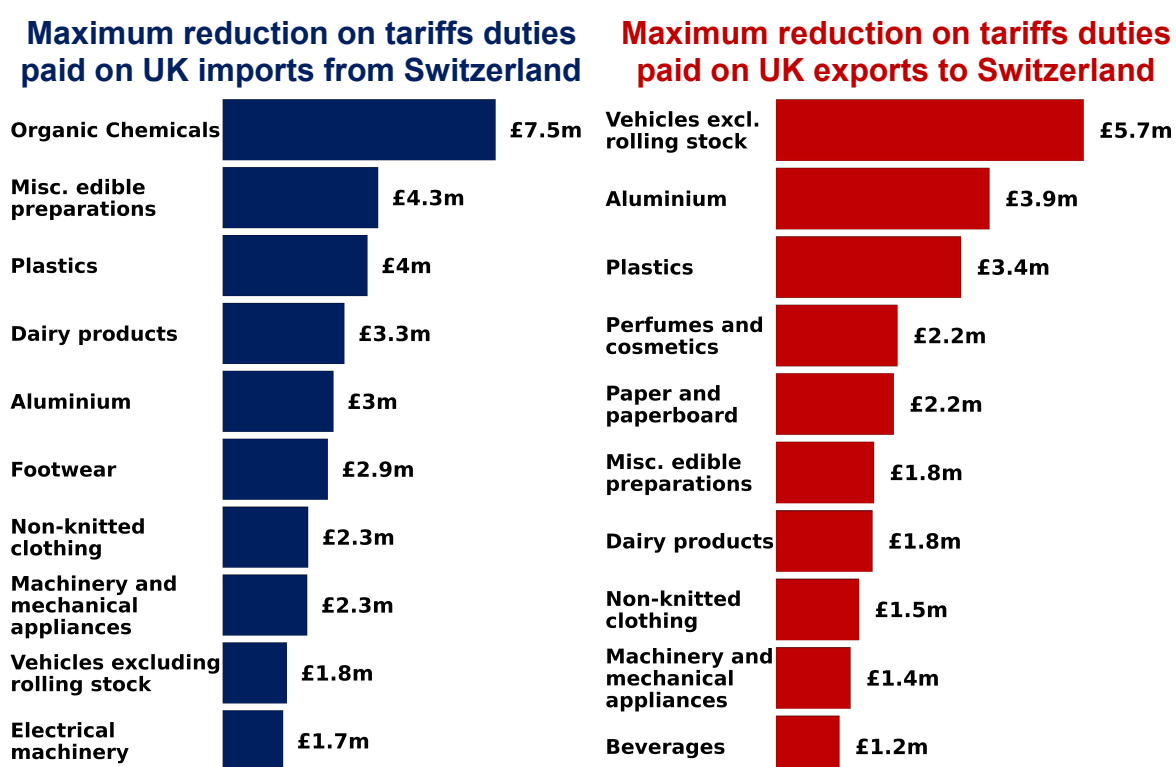
²⁴ DBT calculations using tariff data from DBT and annual UK import data averaged over 2018-2020 from HMRC.

²⁵ DBT calcs using tariff data from The Federal Office for Customs and Border Security (Tares) (2021), ad valorem equivalents (AVEs) from ITC Market Access Map (MacMap) for 2020 and average Swiss imports from the UK between 2018-20 from ITC TradeMap. It assumes full utilisation of tariffs and compliance with rules of origin requirements.

Both Swiss exporters and UK businesses importing from Switzerland have also benefited from preferential access to the UK market. Were the UK trading on MFN terms, UK imports would have incurred estimated annual duties of £45m, with preferential tariffs reducing these.

The products that could have benefited most from tariff reductions are shown in Figure 4.

Figure 4: Maximum annual reduction in tariff duties on exports and imports available to business for the top 10 HS chapters under the current UK-Switzerland TA were preferential duties fully utilised (£ million)

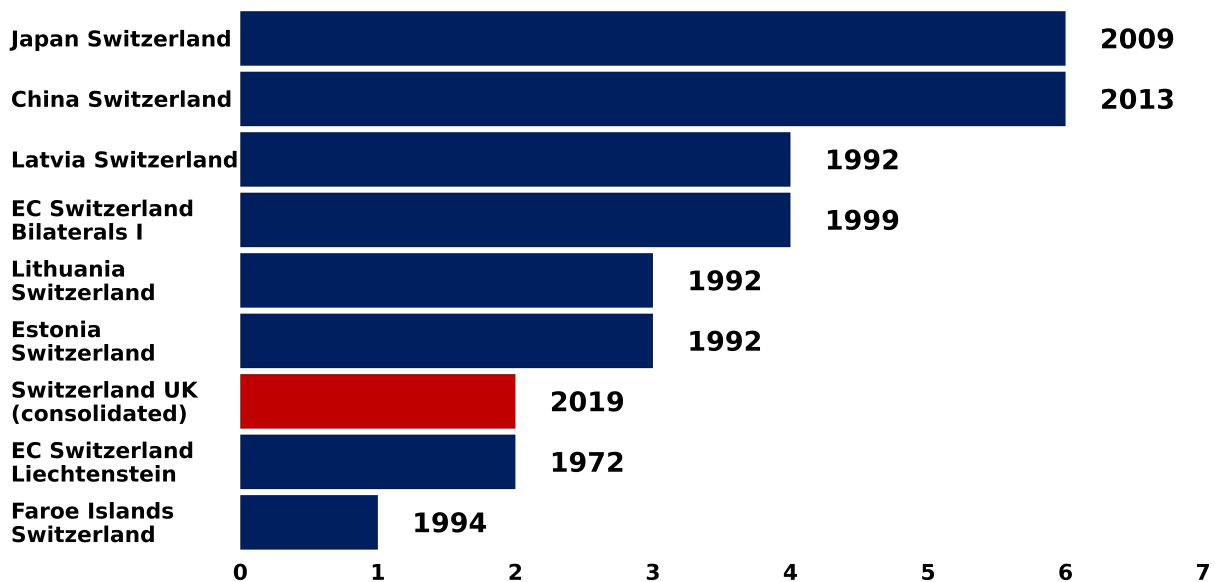


Source: DBT calculations using tariff data from DBT, ITC Market Access Map (MacMap), and WTO TAO and annual import data averaged over 2018-2020 (Swiss import data from ITC TradeMap and UK import data from HMRC). It assumes full utilisation of tariffs and compliance with rules of origin requirements.

4. Economic analysis of a bespoke UK-Switzerland FTA

The current trade agreement between the UK and Switzerland is relatively shallow, reflecting the depth of the European Commission (EC) Switzerland Liechtenstein (1972) agreement upon which it is based. Figure 5 shows academic research into the depth of agreements to compare across FTAs Switzerland currently has in force. The UK’s existing relationship ranks comparatively poorly here, as in recent years Switzerland has negotiated increasingly ambitious trade agreements. Their latest agreements with Japan (2009) and China (2013) rank 1st and 2nd.

Figure 5: Depth of Switzerland’s FTAs, as measured by the Design of Trade Agreements (DESTA) index (max = 7)



Source: Dür, Andreas, Leonardo Baccini and Manfred Elsig. 2014. “The Design of International Trade Agreements: Introducing a New Database”. *Review of International Organizations*, 9(3): 353-375.

Note: The index measures the scope of trade agreements by identifying seven key provisions that can be included, with agreements scored based on whether they contain substantive provisions in each area. UK (consolidated) refers to EC Switzerland Liechtenstein (1972) and UK Switzerland Temporary Services Agreement (2019) but not others such as the Service Mobility Agreement (2020). When consolidating, the presence of provisions takes precedence over the absence of provisions.

Some deeper Swiss agreements include provisions on intellectual property, cross-border investment, and services trade. Call for Input respondents highlighted that these are areas that they would like to expand on in a bespoke UK-Switzerland FTA.

A more modern and deeper FTA would benefit businesses, given the size of Switzerland’s import market and similar consumer preferences. Switzerland consumers have relatively high incomes, with a GDP per capita of \$92,000 in 2021, and between 2021 and 2035 its import market is expected to grow by 54% in real terms.²⁶

²⁶ IMF (2022) World Economic Outlook October 2022; DBT (2023) Global Trade Outlook.

A deeper agreement could include comprehensive mobility commitments, and provisions on investment and financial services. This section explores the potential benefits that could follow a deeper agreement in these and other areas.

Trade in Services

Both the UK and Switzerland are services-focused economies, with 80% of the UK's and 74% of Switzerland's value added coming from services sectors, though services accounts for around half of bilateral trade.²⁷ Both the UK and Switzerland also have highly educated workforces, ranking 1st and 5th respectively amongst G20 economies for the proportion of the workforce with advanced education.²⁸

Switzerland is more restrictive to trade in services than the UK and OECD average for 19 out of the 21 sectors with data. Relative to the OECD, Switzerland is most restrictive in postal and courier, broadcasting and commercial banking services.²⁹

Many Call for Input responses noted their desire for services provisions in a new agreement including areas such as recognition of professional qualifications and stronger mobility commitments, including procedural facilitation and comprehensive sectoral coverage. In 2019, 16% of the UK's services exports to Switzerland were conducted via Mode 4, the movement of natural persons. Figure 6 shows this to be the fourth largest of any of the UK's G20 trading partners. In 2019, there were an estimated 383,000 business visits from UK residents to Switzerland, and 229,000 business visits from Switzerland to the UK.³⁰

Switzerland's is the 3rd most restrictive in the OECD for movement of persons, more restrictive than the UK in 20 of the 21 sectors with complete data. Whilst the SMA represents a liberal approach, stronger commitments on mobility present significant value for the UK.

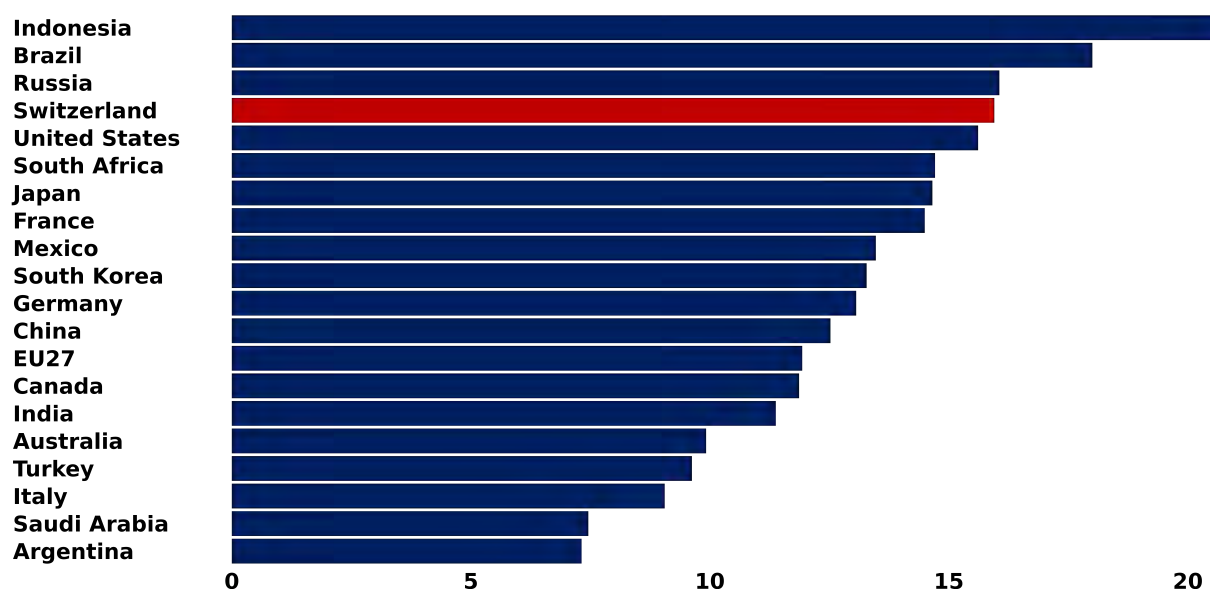
²⁷ OECD (2020), Value added by activity; ONS (2023), UK total trade: all countries, non-seasonally adjusted, April 2023 edition.

²⁸ International Labour Organization. "Education and Mismatch Indicators database (EMI)" ILOSTAT.

²⁹ OECD (2022), Services Trade Restrictiveness Index.

³⁰ ONS (2020), Travel trends estimates: overseas residents in the UK, 2019 and ONS (2020), Travel trends estimates: UK residents' visits abroad, 2019. More recent data shows just 40,000 outward and 19,000 inward visits respectively for 2021, but this will have been significantly affected by COVID-19 travel restrictions.

Figure 6: Proportion of UK Services Exports (Modes 1, 2 and 4) delivered by Mode 4 with G20 and Switzerland



Source: ONS Trade in services by mode of supply, 2019 edition. Note: 2019 is preferred to the latest data (2021) due to the impact of the Covid-19 pandemic on cross border travel in 2020 and 2021.

The SMA, which came into force on 1st January 2021, reduced restrictions on the movement of highly skilled businesspersons between the UK and Switzerland. Securing comparable outcomes to those that UK businesses currently benefit from will provide certainty to businesses currently taking advantage of the agreement and reduce disruption. There is opportunity to go beyond the provisions in the SMA, where possible, to further reduce barriers to trade in services.

The most direct benefit of liberalising travel restrictions is to reduce costs. As two of the most innovative and highly educated economies there are also significant opportunities to accumulate and transfer knowledge between the 2 countries.³¹

Key sectoral opportunities in the FTA

The Call for Input identified these sectors amongst priorities for the FTA.

Financial Services:

- Financial Services (FS) constitutes a major industry for both the UK and Swiss economies, with London, Edinburgh, Geneva and Zurich developing a reputation for being some of the leading financial centres globally.³²
- In 2022, Switzerland was the UK's 8th largest FS trading partner, with trade amounting to £3.3 billion, of which £2.6 billion was in the form of UK

³¹ WIPO (2022), Global Innovation Index 2022: What is the future of innovation-driven growth?; International Labour Organization. "Education and Mismatch Indicators database (EMI)" ILOSTAT.

³² Financial Services defined using EBBOPS 2010 Classification, 7: Financial Services and 6.1: Direct insurance, 6.2: Reinsurance, and 6.3: Auxiliary insurance services, unless specified otherwise.

exports, equivalent to 18% of total service exports from the UK to Switzerland.³³

Professional and Business Services:

- The Professional and Business Services (PBS) sector covers a range of knowledge-intensive industries including legal services, accounting, advertising, architecture, engineering, consulting and many other professional, administrative and support activities.³⁴
- Trade in PBS with Switzerland is a key part of the UK economy, with Switzerland ranking as the UK's 2nd largest PBS trading partner.³⁵ In 2022, total PBS trade with Switzerland amounted to £9.2 billion (39% of total UK services trade with Switzerland), with UK exports of PBS accounting for £5.0 billion (33% of total UK services exports to Switzerland).
- The largest contributors to PBS exports were management consulting services (37% of UK PBS exports) and research and development services (25%).
- Recognition of professional qualifications could be a valuable facilitator of trade in PBS, with CFI respondents noting a particular interest in this area.

Life Sciences

- The life sciences sector is among the most valuable and strategically important in the UK economy covering medical technology and pharmaceuticals.³⁶
- In 2022 Switzerland was the UK's 8th largest life sciences trade partner, with total trade amounting to £2.4 billion. UK exports of life sciences to Switzerland amounted to £0.6 billion, ranking Switzerland as the UK's 9th largest life sciences export partner. Exports are primarily of medicinal and pharmaceutical products, accounting for 95% of exports.³⁷

Digital trade

Most of the services trade between the UK and Switzerland is delivered remotely, demonstrating the importance of digital trade between the two countries. Around 69% of UK services exports to Switzerland and 66% of UK imports were delivered remotely (mode 1 of services trade) in 2019.³⁸ These shares rose to 80% and 75% respectively in 2021, in the context of the global COVID-19 pandemic.³⁹

³³ ONS (2023), UK trade in services: service type by partner country, non-seasonally adjusted.

³⁴ The agreed definition is based on SIC 2007 69-74, 77-78 and 82. In this document, unless stated otherwise, we will be proxying using EBOPS 10 (Other business services) excluding sub-sectors not included within PBS (10.3.2 and 10.3.4 and 10.3.5, which is partially within the scope of PBS but has been excluded here).

³⁵ ONS (2023), UK trade in services: service type by partner country, non-seasonally adjusted.

³⁶ Life sciences defined as including SITC 541, 542, 774 and 872. This is a non-exhaustive definition of the life sciences sector, and the size of sector may change with different definitions.

³⁷ HMRC (2023), Overseas trade by Standard International Trade Classification (SITC) (data from interactive tables).

³⁸ ONS (2020), Exports of services by country, by modes of supply: 2019 and ONS (2020), Imports of services by country, by modes of supply: 2019. Mode 1 is used as a proxy for digital delivery.

³⁹ ONS (2023), Exports of services by country, by modes of supply: 2021 and ONS (2023), Imports of services by country, by modes of supply: 2021. Mode 1 is used as a proxy for digital delivery.

Switzerland has lower barriers to digital trade than the OECD average and has the same level of restrictiveness as the UK.⁴⁰ Barriers around infrastructure and connectivity, as well as electronic transactions, are the main impediments to digital trade in the UK and Switzerland, accounting for 66% and 34% of restrictions respectively for both countries.⁴¹ These barriers have led to Switzerland and the UK ranking as the joint 3rd most open to digital trade of the 38 OECD countries.⁴²

In the Call for Input, respondents called for a digital chapter to enshrine commitments on cross-border data flows and maximise collaboration on data sharing. Maintaining the ability for firms to transfer data across and between countries, including Switzerland, is an important channel by which the UK can promote cross-border digital trade.

Foreign Direct Investment

FDI is an important contributor to economic growth due to its potential to enhance productivity and innovation, create employment, and benefit a broad range of sectors and regions. The stock of inward FDI from Switzerland into the UK was £74 billion in 2021, the 8th largest inward FDI position.⁴³ Between December 2012 and December 2022, there were over 400 Swiss greenfield FDI projects started in the UK.⁴⁴ The three sectoral clusters with the greatest number of projects, were professional services, retail trade and financial services. This included projects in all the nations and regions in the UK. There were over 100 projects started across Scotland, Yorkshire and the Humber, and the North West across a range of sector clusters. The sectors with the most projects in these regions were financial services, retail trade, and professional services respectively.

In 2021, the outward stock of FDI from the UK in Switzerland was £52 billion, the 9th largest outward position.⁴⁵ Between December 2012 and December 2022, 117 British FDI projects were started in Switzerland, the majority of which fell under the financial services and professional services sector clusters.⁴⁶

Switzerland is more restrictive than both the UK and the OECD average to receiving inward FDI.⁴⁷ Switzerland's higher restrictiveness index is driven by a small number of sectors, particularly electricity, real estate and broadcasting where the most significant barrier is due to equity restrictions. This limits the extent of foreign ownership permitted in companies or in the aggregate of companies in these sectors. Switzerland is also more restrictive than the UK in banking and other finance. There may be opportunities to

⁴⁰ OECD (2021), Digital Services Trade Restrictiveness Index.

⁴¹ 'Infrastructure and connectivity' comprises Digital STRI measures covering restrictions related to interconnection on communication infrastructures and restrictions affecting connectivity (e.g. measures affecting cross-border data flows).

⁴² OECD (2022), Digital Services Trade Restrictiveness Index.

⁴³ ONS (2022), Foreign direct investment involving UK companies: 2021.

⁴⁴ FDI markets, Online database of cross border greenfield investments. As this only covers greenfield investment, it likely underestimates the scale of the UK-Switzerland investment relationship.

⁴⁵ ONS (2022), Foreign direct investment involving UK companies: 2021.

⁴⁶ FDI markets, Online database of cross border greenfield investments.

⁴⁷ OECD FDI Restrictiveness Index, 2020. The OECD's FDI Regulatory Restrictiveness Index (FDI Index) measures statutory restrictions on FDI across 22 sectors from 0 (open) to 1 (closed). It considers the four main types of restrictions on FDI: 1) Foreign equity limitations; 2) Discriminatory screening or approval mechanisms; 3) Restrictions on the employment of foreigners as key personnel and 4) Other operational restrictions, for example, restrictions on branching and on capital repatriation or on land ownership by foreign-owned enterprises.

facilitate greater UK FDI by reducing restrictions in some of these sectors. Expanding mutual FDI flows may deepen links between both countries and encourage trade growth.

Trade in Goods

The UK exported around £18.4 billion of goods to Switzerland in 2022. Although the UK's existing agreement ensures that 99.5% of the value (79.0% of tariff lines)⁴⁸ is eligible for tariff-free trade, there are several sectors eligible for significant tariff reductions. Call for Input respondents asked to retain preferential tariffs and for greater liberalisation where possible. Removing the remaining tariffs on UK exports to Switzerland could reduce the current estimated duties of around £7.4 million.⁴⁹

There is also a subset of goods with particularly high tariffs; over 200 products have an estimated ad valorem equivalent tariff of over 100%.⁵⁰ Affected sectors include meat and offal, vegetables, animal and vegetable fats and dairy products. Reducing or removing these tariffs may help open new markets for UK agricultural exporters.

Eliminating the remaining tariffs on UK imports could reduce the duties of £1.1m on current imports. This would predominantly benefit importers of beverages, fish and crustaceans, miscellaneous edible preparations (e.g. extracts, yeasts, seasoning), and could result in lower prices for UK consumers.⁵¹

Utilisation of the agreement

Usage of preferential tariffs in the UK-Switzerland trade agreement for UK exports is lower than some other UK FTAs. Barriers to usage could include, but are not limited to, meeting rules of origin requirements and customs procedures. Many Call for Input respondents expressed the need for simplification of customs paperwork and border control. This may particularly affect SMEs due to the time and cost of administrative burdens.

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. The chemical products sector represented around half of the value of exports eligible for preferential tariffs, however utilisation of preferences was just 67%.⁵²

Consolidating the existing agreements into a single modern and comprehensive FTA, as well as the inclusion of an SME chapter, could make the agreement more accessible to SMEs. By enhancing the current agreement, there is an opportunity to further reduce existing barriers, resulting in higher utilisation of preferential tariffs and lower costs for businesses. An illustrative 5 to 10 percentage point increase in the use of available preferences across all products would reduce annual duties on UK exports to Switzerland

⁴⁸ DBT calcs using tariff data from The Federal Office for Customs and Border Security (Tares) (2021) and ad valorem equivalents (AVEs) from ITC Market Access Map (MacMap) for 2020 and average Swiss imports from the UK between 2018-20 from ITC TradeMap. It assumes full utilisation of tariffs and compliance with rules of origin requirements.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ DBT calculations using tariff data from DBT and annual UK import data averaged over 2018-2020 from HMRC.

⁵² 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. 2019 is the latest publicly available.

by £1.8 million to £3.5 million.⁵³ Increasing utilisation is necessary to realise maximum tariff liberalisation savings.

The average preference utilisation rate for UK imports from Switzerland in 2019 was 90% with most sectors above 80%. The sectors with the most trade eligible for preferential tariffs were optical and other apparatus, machinery and mechanical appliances and chemical products. Utilisation of preferences in these sectors was in line with utilisation in other sectors.

Encouraging greater innovation

The UK and Switzerland are among the world's most innovative economies, having been ranked 4th and 1st respectively in the Global Innovation Index.⁵⁴ Both countries have large digital and scientific industries. Switzerland is a global leader in Research and Development (R&D) expenditure as a proportion of national income, ranking 8th globally, spending over 3% of GDP on it in 2019.⁵⁵ Furthermore, amongst the ten countries with the highest business-funded R&D expenditure in an EU R&D index, Swiss firms average the highest level of R&D intensity (ratio of a company's R&D expenditure to net sales).⁵⁶ Pharmaceuticals and Biotechnology was the largest driver of R&D expenditure amongst the Swiss companies studied, accounting for 66% of R&D expenditure from Swiss companies.⁵⁷

The UK's ambition is that trade agreements with innovative economies, such as Switzerland, go beyond precedent and have sufficient flexibility to adapt to changes in what and how both countries trade as the economies grow and develop.

Intellectual property

Innovation relies heavily on effective intellectual property (IP) rights. Call for Input respondents highlighted the need to lock in and go beyond current existing intellectual property rights, with emphasis on copyright and enforcement law.

This is significant for both the UK and Switzerland as the 7th and 8th ranked economies for number of patents granted in 2021.⁵⁸ Amongst the 25 countries the UK exports the most services to, Switzerland ranks 5th for the proportion of those exports that are charges for intellectual property, over half of this comes from licenses for the outcomes of research and development. In the other direction, Switzerland is the UK's 5th largest partner for intellectual property imports.⁵⁹

Promoting R&D, through strong and balanced IP provisions and simplified regulations, would benefit both the UK and Switzerland. Traditionally, high-tech manufacturing,

⁵³ DBT calculations based on data from Director General for Trade of the European Commission, updated 21st October 2020. It assumes an increase in utilisation, even if this would exceed total available preferences.

⁵⁴ WIPO (2022), Global Innovation Index 2022: What is the future of innovation-driven growth?

⁵⁵ World Bank (2022). Data from 2019.

⁵⁶ European Commission: The 2022 EU Industrial R&D Investment Scoreboard. The scoreboard analyses the 2500 companies that invested the largest sums in R&D globally in 2021, accounting for 86% of the world's business-funded R&D.

⁵⁷ Sectors as defined by Industry-ICB3 Sector Names.

⁵⁸ World Intellectual Property Organisation (2023). Total patent grants (direct and PCT national phase entries) by applicant's origin.

⁵⁹ ONS (2023) UK trade in services: service type by partner country, non-seasonally adjusted, April 2023 edition.

transport equipment, and life sciences encompass the most patent-intensive sectors in the UK so may benefit most from opportunities in this area.

Wider economic impacts

An enhanced FTA provides the opportunity to:

Support both small and large businesses that trade with Switzerland

The Call for Input responses highlighted the importance of provisions for SMEs to provide extra support to develop their business in the Swiss market. In 2021, 14,100 UK businesses exported goods to Switzerland and 9,800 UK businesses imported goods from Switzerland, of which 86% (12,100) and 80% (7,800) respectively were SMEs.⁶⁰ Provisions supporting SMEs provide the opportunity to increase the number of businesses of all sizes trading with Switzerland.

Supports women's access to the benefits of trade

Experimental analysis published by DBT and the Fraser of Allander Institute shows that, in 2016, 64% of full-time equivalent jobs directly and indirectly involved in exports were held by men, with the remaining 36% filled by women. As opportunities are created for workers, businesses and consumers, the UK and Switzerland can work together to overcome the barriers to trade experienced by women. This FTA provides the opportunity to advance gender equality in trade.

Support UK jobs across all regions

Exports to Switzerland supported around 143,000 jobs in the UK in 2018, over 75% of which were in service sectors.⁶¹ In addition, 3.4 million people were employed by UK businesses that exported goods to Switzerland in 2021.⁶² London, the South East, and the East had over 2,900, 2,600, and 1,500 businesses exporting goods to Switzerland in 2021, respectively, with these top regions having a combined value of over £3.0 billion.⁶³

Around 40% of the UK's services exports to Switzerland originated outside of London and the South East in 2020.⁶⁴ Scotland and the North West each exported over £700 million of services to Switzerland, 30% of which was in financial and insurance services. The East exported £1.2 billion of services, including £800 million in professional, scientific, and technical activities. Wales exported £175 million to Switzerland in 2020, its largest export was in financial and insurance services.

⁶⁰ HMRC (2022), UK trade in goods by business characteristics 2021 data tables.

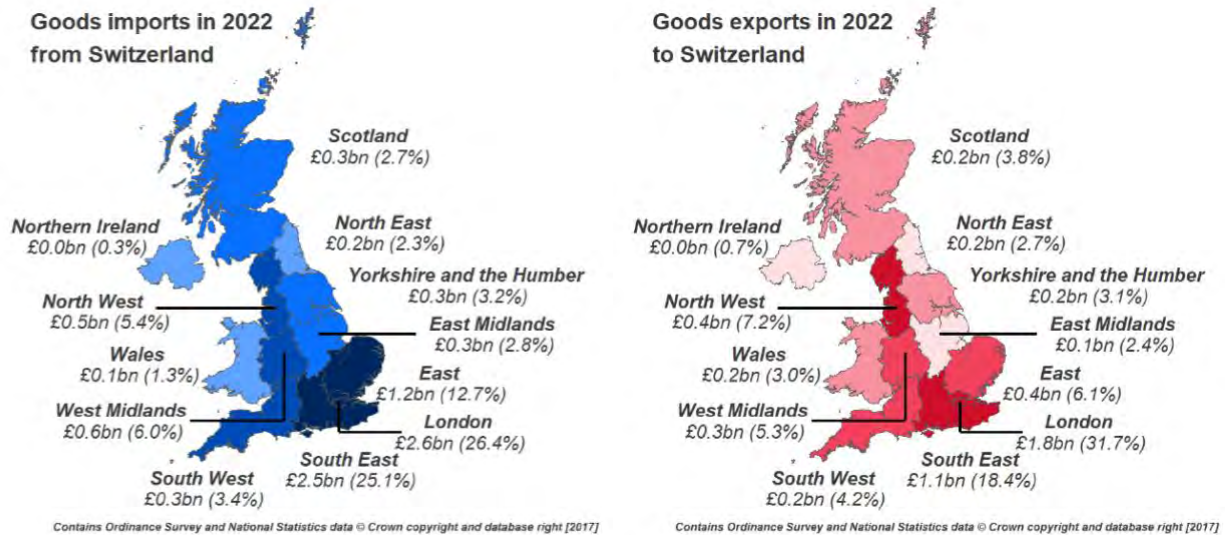
⁶¹ OECD (2021) Trade in employment database 2021 edition.

⁶² HMRC (2022), UK trade in goods by business characteristics: 2021.

⁶³ HMRC (2022), Regional Trade in Goods Statistics, Business Counts, Q4 2021; HMRC (2023), Regional trade data: custom tables.

⁶⁴ ONS (2021), Subnational trade in services, 2020 edition. Data does not include Northern Ireland.

Figure 7: Regional trade with Switzerland in 2022

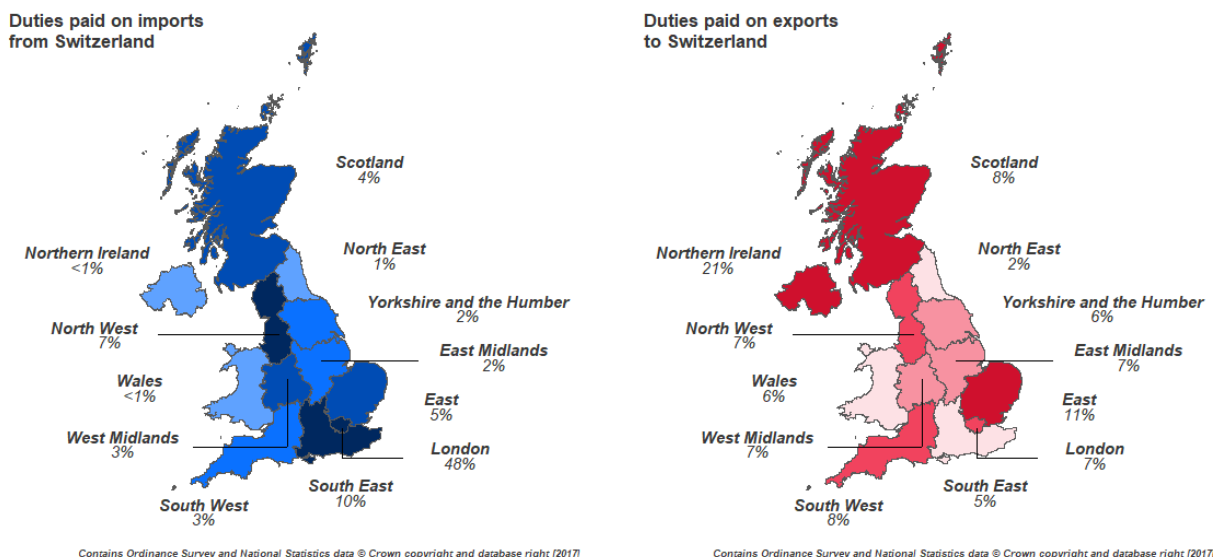


Source: HMRC Regional Trade Statistics (data extracted from the interactive tables)⁶⁵

Removing the remaining tariff lines on UK goods exports to Switzerland could benefit exporters across all UK nations and regions of England, reducing the £7.4 million in duties on current UK exports. Assuming full utilisation of the agreement, the greatest savings could be present in Northern Ireland (21%) and the East (11%). Some of the largest savings are likely to be in Northern Irish, South Western and Welsh beef exports. Eliminating the remaining tariffs on UK imports could reduce the £1.1 million in duties, with the greatest savings in London (48%) and the South East (10%).

⁶⁵ Note that these figures from HMRC are reported on a physical movement basis and are not directly comparable to trade data from ONS which are reported on a change of ownership basis. Totals presented here will differ from overall HMRC trade figures and percentages will not total 100% due to the exclusion of trade in non-monetary gold and non-response estimates and the exclusion of data not allocated to a UK country or region. Figures for 2022 are provisional and subject to change.

Figure 8: Share of estimated tariff reductions on UK trade with Switzerland, by UK regions and nations of England



Source: DBT calculations using tariff data from DBT, ITC Market Access Map (MacMap), and WTO TAO and annual import data averaged over 2018-2020 (Swiss import data from ITC TradeMap and UK import data from HMRC). It assumes the removal of all tariffs, and full utilisation of preferences and compliance with rules of origin requirements.

Environmental impacts

In 2019 the UK emitted 5.2 tons of CO₂ per person, compared to 4.4 tons emitted per person in Switzerland. Both countries have lower emissions per person compared to the OECD average of 8.5 tons per person.⁶⁶ The UK has a comparative advantage in exporting low carbon technology products, while Switzerland possesses a relative disadvantage in the same metric.⁶⁷

As set out in Section 2, the rationale for an enhanced agreement with Switzerland is focused on areas such as services, innovation, and digital trade. UK services trade with Switzerland is around 50% less carbon intensive than trade in industry, manufacturing or agriculture, and the carbon intensity of the UK's services trade with Switzerland is the 2nd lowest amongst UK trading partners.⁶⁸ The UK's ambition is to promote trade and investment in environment and climate friendly goods and services through a modern FTA to support our respective decarbonisation goals.

⁶⁶ World Bank data, Metric tons of CO₂ emissions per capita, 2019.

⁶⁷ IMF (2020), Climate Change Dashboard: Comparative Advantage in Low Carbon Technology Products.

⁶⁸ OECD TECO2 database.

Glossary



Glossary

Authorised Economic Operator (AEO)

AEO status is an internationally recognised quality mark that shows a business's role in the international supply chain is secure and has customs control procedures that meet certain standards and criteria. Customs authorities will often offer certain procedural benefits or simplifications to businesses that hold AEO status.

Data localisation requirements

This refers to the extent to which data that are generated in a jurisdiction (e.g. by businesses, organisations or individuals) are subject to legal and administrative measures that restrict the use of those data outside that jurisdiction. These restrictions include requirements that data need to be stored in facilities within the jurisdiction, and that there are restrictions on the accessing, transmission or processing of data on a cross-border basis.

Free Trade Agreement

An agreement between two or more countries designed to reduce or eliminate certain barriers to trade and investment, and to facilitate stronger trade and commercial ties between participating countries.

General Agreement on Trade in Services (GATS)

The World Trade Organization (WTO) treaty that provides a framework of rules governing services trade and establishes a mechanism for countries to make commitments to liberalise trade in services.

Geographical Indication (GI)

An Intellectual Property right used to protect food, drink and agricultural products that are made using agreed methods and enjoy a good reputation due to their origin. Examples of UK GI products include Scotch whisky, Cornish Pasties and Welsh Lamb.

Good Laboratory Practice (GLP)

A set of rules and criteria for a quality control system covering the organisational process and the conditions under which non-clinical health and environmental safety studies are planned, performed, monitored, recorded, reported and retained (or archived).

Good Manufacturing Practice (GMP)

The minimum standard that a medicines manufacturer must meet in their production processes. Products must: be of consistent high quality; be appropriate to their intended use; and meet the requirements of the marketing authorisation (MA) or product specification.

Investment liberalisation

The removal or reduction of restrictions or barriers to investment.

Investor State Dispute Settlement (ISDS) mechanism

A mechanism that allows a foreign investor to bring legal proceedings and seek compensation from a state, if it considers the state has breached its obligations under an

investment treaty or an Investment chapter in an FTA. The legal proceedings are usually brought via an arbitration process that is independent of each state's domestic courts.

Most Favoured Nation (MFN) tariffs

MFN tariffs are what countries promise to impose on imports from other members of the World Trade Organization, unless the country is part of a preferential trade agreement (such as a free trade agreement or area or customs union). Some countries impose higher tariffs on countries that are not part of the WTO.

Mutual Recognition Agreement (MRA) on Goods

MRAs in relation to conformity assessment allow for goods in agreed sectors to be tested in the UK against a partner country's regulations. The goods can then be sold in the partner country without additional testing there and vice versa. For GMP, they also promote the recognition of inspection outcomes against their minimum standard requirements.

Mutual Recognition Agreement (MRA) on Financial Services

The FS MRA will facilitate the cross-border provision of financial services for wholesale and sophisticated clients between the UK and Switzerland. It will reduce costs and remove barriers to cross-border activity through the assessment and recognition of each other's supervisory and regulatory regimes, underpinned by enhanced cooperation. It is based on the principle that jurisdictions can achieve in different ways similarly high standards of regulation and supervisory oversight.

Rules of Origin (RoO)

Rules of Origin are used to determine the country of origin of a product for purposes of international trade. In a free trade agreement, preferential RoO determine what products can benefit from the preferential tariffs.

Sanitary and phytosanitary (SPS)

SPS measures are requirements imposed for food safety or biosecurity purposes to protect human, animal or plant life and health.

Services Mobility Agreement (SMA)

An agreement between the UK and Switzerland, which allows UK professionals to work in Switzerland for up to 90 days without a work permit from 1 January 2021. Swiss professionals will be able to deliver contracts in the UK in key skilled sectors through the Service Supplier visa. This is a temporary arrangement that will expire at the end of 2025.

Subsidies

Financial assistance granted by a government or public body, for example loans, grants or tax credits. Subsidies can give an advantage to the business or individual that receives them.

Tariffs

Customs duties on merchandise imports are called tariffs. Tariffs give a price advantage to locally-produced goods over similar goods which are imported, and they raise revenues for governments.

Technical Barriers to Trade (TBT)

Technical barriers to trade (TBT) are a type of regulatory measure that affect trade in goods. They do not include tariffs (customs duties on imports) and are therefore sometimes referred to as examples of “non-tariff measures” (NTMs). There are three broad categories of TBT measures: technical regulations, standards, and conformity assessment.

Trade Facilitation Agreement

A binding multilateral trade agreement between members of the World Trade Organization (WTO) which aims to make cross-border trade easier, faster and cheaper.

Trade liberalisation

The removal or reduction of restrictions or barriers on the free exchange of goods between nations.

World Trade Organization (WTO)

The WTO deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.

Department for Business and Trade

We are the department for economic growth. We support businesses to invest, grow and export, creating jobs and opportunities across the country.

Legal disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, the Department for International Trade does not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or other organisation mentioned.

Copyright

© Crown Copyright 2023

You may re-use this publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence visit:

www.nationalarchives.gov.uk/doc/open-government-licence

or email:

psi@nationalarchives.gov.uk.

Where we have identified any third party copyright information in the material that you wish to use, you will need to obtain permission from the copyright holder(s) concerned.

All enquiries regarding this material should be sent to us at

enquiries@trade.gov.uk