



Report

Foreign Economic Policy 2023

10 January 2024¹

¹ The Foreign Economic Policy Report 2023 is available in its entirety in German, French and Italian at: www.seco.admin.ch > Services & publications > Publications > Foreign trade > Foreign Economic Policy (as of 10.1.2024). This unofficial English translation includes the Executive Summary and Section 1 concerning developments in foreign economic policy.



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List of abbreviations

AS	Official Compilation of Federal Legislation
COVID-19	Coronavirus disease 2019 (infectious disease caused by the SARS-CoV-2 virus)
EAER	Federal Department of Economic Affairs, Education and Research
EFTA	European Free Trade Association
EU	European Union
FTA	Free trade agreement
IFD	Investment facilitation for development
OECD	Organization for Economic Co-operation and Development
SECO	State Secretariat for Economic Affairs
SME	Small and medium-sized enterprises
SR	Classified Compilation of Federal Legislation
UN	United Nations
WTO	World Trade Organization

Executive summary

The 2023 Foreign Economic Policy Report provides an overview of the key issues of Swiss foreign economic policy in the year under review and places them in the context of the 2021 Foreign Economic Policy Strategy (see Figure 1).

Geopolitical tensions continued in 2023, particularly between the US and China. Russia's war against Ukraine and the preceding COVID-19 crisis demonstrated the importance of resilient international value chains and highlighted economic interdependencies. The economic measures taken by the US and the EU, motivated by both security and industrial policy, represent a turning point in the global trading system. As the world's two largest economic zones, they launched initiatives to strengthen their strategic autonomy, expand their spheres of influence and enhance the resilience of their value chains. The aim is to reduce economic and security policy risks in areas deemed critical to national security by focusing trade and investment relations on a select group of reliable partner countries (known as reshoring, allyshoring and friendshoring). Environmental protection measures have also played a role. All of these measures increase the costs and risks of doing business internationally and limit the economy's flexibility in structuring value chains.

Many countries are seeking to position themselves as independent actors between the traditional major powers so as to widen their scope for political action. This can be seen, for example, in the case of India and the interest expressed by various countries in joining the BRICS (Brazil, China, India, Russia and South Africa). Switzerland is also navigating these tensions between economic powers, using tried and tested instruments to create and maintain favourable business conditions, including clear and consistent regulations and open markets. Together with its closest trading partners, Switzerland has also participated in new international initiatives to strengthen value chains, such as the Joint Statement on Cooperation on Global Supply Chains (**Section 1**).

Relations with Switzerland's most important trading partner, the EU, were again in the spotlight in the year under review (**Section 2**). The Federal Council adopted a draft negotiating mandate with the EU on 15 December 2023. Negotiations will begin once the definitive mandate has been adopted. Barrier-free access to the EU single market is the core of the package. This includes updating the existing internal market agreements and concluding new sectoral agreements in the areas of electricity and food safety. These agreements will enable Switzerland to gain permanent access to its largest export market and to establish cooperation in areas that are very important for Switzerland.

Bilateral economic relations were marked by renewed momentum in negotiations on new or modernised free trade agreements (FTAs) with countries and regions such as Chile, India, Malaysia, Mercosur, Thailand and the United Kingdom (**Section 3**). Switzerland signed an FTA with Moldova, and Parliament approved the investment protection agreement with Indonesia. In addition, the agreement with the US on mutual recognition of good manufacturing practice for medicinal products entered into force.

As an open, medium-sized economy, Switzerland generally favours multilateral approaches to global challenges and the pursuit of its interests (**Section 4**). Within the WTO, Switzerland supports the reform of the dispute settlement mechanism. Talks on a plurilateral agreement on investment facilitation for development (IFD) were concluded between more than 115 WTO members.

The Federal Council continued to pay particular attention to sustainable development in its foreign economic policy (**Section 5**). The FTA between the EFTA member states and Moldova was the first to include the new provisions on trade and sustainable development. In addition, an ex-ante sustainability impact assessment was carried out during the negotiations with Thailand. Switzerland, Costa Rica, Iceland and Norway made significant progress in their negotiations on the Agreement on Climate Change, Trade and Sustainability (ACCTS). OECD member countries and others endorsed the updated OECD Guidelines for Multinational Enterprises to promote responsible business conduct. The process

of updating the Swiss National Action Plan on Business and Human Rights for 2024–2027 was also launched.

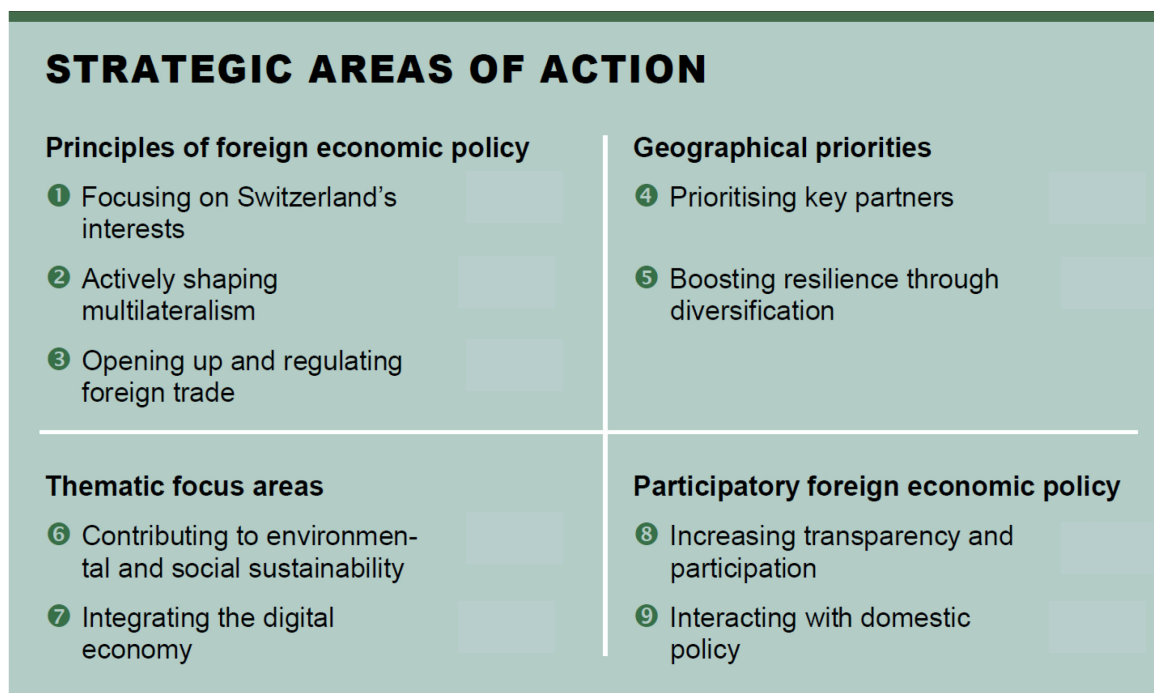
With regard to the digital economy (**Section 6**), the EFTA states have started talks with Singapore on a digital economy agreement, the first of its kind for EFTA. In addition, the FTA with Moldova is the first EFTA agreement to include provisions on e-commerce. Switzerland is also actively promoting new rules in this area within the WTO. Negotiations on this agreement were partially concluded in December 2023. Work on facilitating the cross-border transfer of personal data from Switzerland to the USA continued.

Switzerland's international cooperation once again faced the challenge of intervening in crises while at the same time promoting long-term projects in partner countries (**Section 7**). War-torn Ukraine remained a focal point of both bilateral and multilateral economic development and cooperation.

Russia's war against Ukraine also put a particular strain on Switzerland's sanctions and export control policies (**Section 8**). Switzerland again adopted most of the EU's sanctions package in 2023 and worked closely with the EU and other partners to examine options such as increasing the penalties in the Embargo Act. In addition, the Federal Council published a dispatch on the new law on goods that can be used for torture.

Switzerland's 2021 Foreign Economic Policy Strategy sets out nine strategic areas of action. This report places the activities in 2023 in context by identifying the relevant strategic area of action at the beginning of each section. The overarching areas 'Focusing on Switzerland's interests', 'Increasing transparency and participation' and 'Interacting with domestic policy' are not specifically mentioned as they are relevant across virtually all sections.

Figure 1: Strategic areas of action from the 2021 Foreign Economic Policy Strategy



Source: EAER, Switzerland's Foreign Economic Policy Strategy, 24 November 2021²

² Switzerland's Foreign Economic Policy Strategy, from 24 November 2021, available at: www.seco.admin.ch > Services & Publications > Publications > Foreign Trade > Foreign Economic Policy (status: 16.11.2023).

1 Developments in foreign economic policy

1.1 Impact of geopolitical tensions on foreign economic policy

Global economic uncertainties continued to grow in 2023, with the economic outlook remaining bleak in the US, EU and China, the world's three largest economies. China faced deflationary pressures, a property crisis and high youth unemployment. The US economy grew moderately and the high interest rate environment led to a slight decline in inflation. Europe managed to reduce energy prices significantly compared to the previous year, but inflation remained high and real economic growth was low at 0.7%.³

Developments in these three zones affected the global economy as a whole. In addition, the global high interest rate environment posed challenges for many developing and emerging economies, particularly in Africa, Latin America and South Asia. In many places it led to currency depreciation and capital flight. Fiscal policy options in these countries were quite limited, in particular due to the high levels of public debt built up to fight the COVID-19 pandemic.⁴

Developments in foreign economic policy in 2023 were dominated by the increasing competition between the US and China.⁵ Globally, there was a general trend towards rearmament. European countries, in particular, adjusted their security and armament policies as a result of the war against Ukraine. Tensions also rose in the South China Sea and around Taiwan. Several countries in the Asia-Pacific region announced increased military spending. Sanctions and export controls on military and dual-use goods, i.e. goods that can be used for both civilian and military purposes, were tightened around the world.

The development of India, now the world's most populous country, is also remarkable. Its huge domestic market, low labour costs and strong growth prospects⁶ are attracting many international companies.⁷ The country has also carried out successful space missions, cementing its position as a hub for cutting-edge technology for the 21st century. Geopolitically, the country's position is somewhat ambiguous. On the one hand, India is a member of BRICS⁸ and the Shanghai Cooperation Organization (SCO)⁹, both of which see themselves as a counterbalance to the West. On the other hand, India cooperates with Australia, the US and Japan on security issues and markets itself to Western companies as an alternative to China. India's position echoes that of many developing and emerging economies that prefer to stay out of the US-China rivalry. India pursues an interests-driven policy of maintaining good economic relations with all actors in an increasingly polarised world. In this context, many countries are reassessing their international relationships, diversifying their international contacts and formalising these new relationships through the formation of new groups. The expansion of BRICS into BRICS+¹⁰ is the most visible example of this trend.

³ IMF, World Economic Outlook database, available at: www.imf.org > Publications > Flagships > World Economic Outlook > World Economic Outlook, October 2023, Navigating Global Divergences > World Economic Outlook Growth Projections (status: 4.12.2023).

⁴ For more about global economic fragmentation and the necessity of 're-globalisation', see WTO (2023), World Trade Report 2023, Re-globalization for a secure, inclusive and sustainable future, available at: www.wto.org > Documents, data and resources > Publications > Key publications (status: 5.10.2023).

⁵ International Institute for Strategic Studies (IISS) (2023), Asia-Pacific Regional Security Assessment, Key developments and trends, Strained US-China Relations and the Growing Threat to Taiwan, available at: www.iiss.org > Publications > Strategic Dossiers > Asia-Pacific Regional Security Assessment 2023 > Chapter 2: Strained US-China Relations and the growing threat to Taiwan (status: 5.10.2023).

⁶ IMF, World Economic Outlook database, available at: www.imf.org > Publications > Flagships > World Economic Outlook > World Economic Outlook, October 2023, Navigating Global Divergences > October 2023 database > By countries > Emerging and developing Asia > India > Gross domestic product | Constant prices | Percent change (status: 3.10.2023).

⁷ UNCTAD (2023), World Investment Report 2023, Investing in sustainable energy for all, available at: www.unctad.org > Publications (status: 5.10.2023).

⁸ BRICS members: Brazil, Russia, India, China and South Africa (status: 3.10.2023).

⁹ SCO members: China, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan, Uzbekistan (status: 3.10.2023).

¹⁰ BRICS members have invited the following countries to be part of the BRICS+ group: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, UAE (status: 9.11.2023).

Geopolitical rivalries, combined with the experience of the COVID-19 pandemic and the war against Ukraine, have led to a reassessment of interdependencies between countries. Western industrialised economies have placed greater emphasis on weaning themselves off dependence on critical value chains, focusing on cutting-edge technologies relevant to national security, such as advanced semiconductors and quantum technology, and key raw materials, such as nickel, lithium and rare earth elements.¹¹ The US and the EU have begun to restrict certain economic activities to specific geographical regions, known as re-shoring, allyshoring and friendshoring. The EU's industrial policy efforts have gained momentum with the aim of supporting open strategic autonomy¹² and promoting sustainable technologies with a view to decarbonisation (see Section 1.2). In view of a possible escalation of geopolitical tensions with China and is using these measures to make China's access to advanced technologies more difficult.¹³ Overall, there has been an increase in government intervention in the form of discriminatory regulations, tariffs, network and information blocking, and restrictions on exports and capital flows. The confrontational behaviour of major powers made cooperation in international forums more difficult and created further challenges for multilateralism. Tackling global challenges such as climate change and poverty requires multilateral coordination and is likely to be complicated by the fragmentation of the global economy. Many developing and emerging economies risk losing access to capital, markets and new technologies as a result of such fragmentation. The International Monetary Fund (IMF) predicts that this will lead to a loss of productivity and therefore an increase in poverty.¹⁴

1.2 Industrial policy initiatives in the EU and the US

During the year under review, the US and the EU implemented various industrial policy initiatives to reflect the reassessment of interdependencies mentioned above and to make progress towards achieving decarbonisation targets. The Biden administration's subsidy programme is partly due to the political infeasibility of other instruments, such as a national carbon tax. From an economic policy perspective, two types of measures can be distinguished. The first category consists of horizontal measures, such as reliable infrastructure and flexible labour market conditions, which generally benefit all industries and are therefore also applied in Switzerland to promote good macroeconomic conditions. The second includes vertical measures that promote specific industries or technologies and can therefore have a protectionist effect. Examples of this are "Chips Acts", in which the US¹⁵ and the EU¹⁶ plan to spend billions to promote the production of chips.

Among US industrial policy measures, the Inflation Reduction Act¹⁷ (IRA) of August 2022 deserves special mention. The IRA is a package of measures related to climate, health and tax policy. The industrial policy measures mainly concern climate and energy, with both horizontal measures such as incentives for energy-efficient construction and vertical measures such as tax credits for the purchase of electric vehicles manufactured at least partially in the US.

¹¹ Evenett, S. and Fritz, J. (2023), The 31st Global Trade Alert Report, The Scramble for Critical Raw Materials: Time to Take Stock?, available at: www.globaltradealert.org > Reports (status: 3.10.2023).

¹² Press release of the European Commission from 18 February 2021, Commission sets course for an open, sustainable and assertive EU trade policy, available at: www.commission.europa.eu > Press corner (status: 20.11.2023).

¹³ For more on the US perspective on the US-China battle over cutting-edge technologies, see Engelke, P. and Weinstein, E. (2023), Global Strategy 2023: Winning the tech race with China, in: Atlantic Council Strategy Paper Series, available at: www.atlanticcouncil.org > Technology & Innovation > Cybersecurity (status: 5.10.2023).

¹⁴ Georgieva K., Managing Director of the IMF, (2023), Confronting Fragmentation Where It Matters Most: Trade, Debt, and Climate Action, in: IMFBlog, available at: www.imf.org > Blogs > Topics > Cross-sector (status: 4.12.2023); Aiyar, S., Chen, J. et al. (2023), Geoeconomic Fragmentation and the Future of Multilateralism, in: Staff Discussion Notes, No 2023/001, available at: www.imf.org > Publications > IMF Notes > All Staff Notes Series (status: 4.10.2023). The IMF forecasts a -1.2% decline in global economic output, with up to -3.3% for some countries in the Asia-Pacific region.

¹⁵ Chips and Science Act from 9 August 2022, H.R.4346, available at: www.congress.gov > Legislation > 117th Congress (status: 3.10.2023).

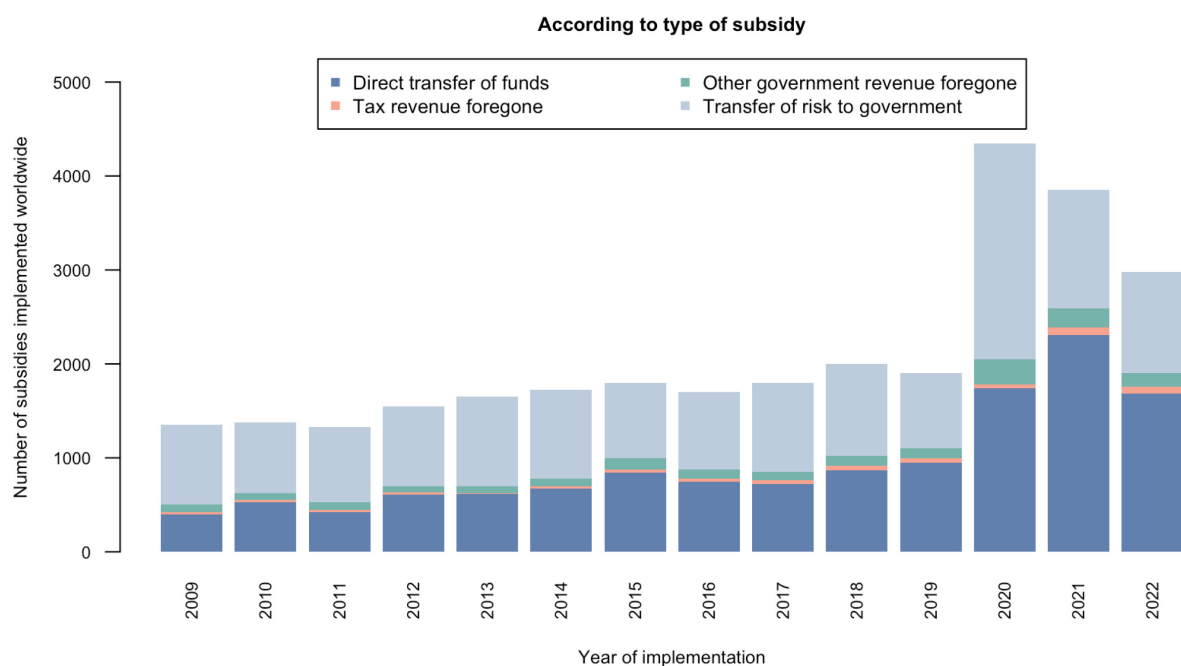
¹⁶ Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023 establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act), OJ L 229 from 18.9.2023, p. 1, available at: www.eur-lex.europa.eu (status: 4.10.2023).

¹⁷ Inflation Reduction Act from 16 August 2022, H.R.5376, available at: www.congress.gov > Legislation > 117th Congress (status: 3.12.2023).

The EU responded to the IRA by announcing its Green Deal Industrial Plan¹⁸ (GDIP) in February 2023. The GDIP includes a wide range of horizontal measures, such as simplified approval procedures for renewable energy and training initiatives to reduce skills shortages in the labour market, as well as vertical measures, such as subsidies for the development of certain green technologies. The GDIP is part of the EU's overarching strategy of open strategic autonomy (OSA). The OSA aims to strike a balance between the EU's open trade policies and its economic policies that safeguard national security. On 20 June, the European Commission published the *European Economic Security Strategy*¹⁹, which sets out the instruments to achieve this balance. The aim is to develop a comprehensive approach to identifying, assessing and mitigating risks to the EU's economic security.

In addition to the US and the EU, individual EU member states such as Germany and France have also felt compelled to step up their industrial policy interventions. Other countries, such as Canada and the UK, also announced billions in subsidies for specific companies.²⁰ Since 2015, China has supplemented its regular five-year plans with the *Made in China 2025* strategy, a comprehensive economic policy approach for ten key industries. The number of industrial policy programmes has increased significantly in recent years (see Figure 2).

Figure 2: Number of implemented global subsidies, by type²¹



Source: Own depiction, data from Global Trade Alert²²

¹⁸ Press release by the European Commission from 1 February 2023, The Green Deal Industrial Plan: putting Europe's net-zero industry in the lead, available at: www.commission.europa.eu > Press corner (status: 20.11.2023).

¹⁹ Press release by the European Commission from 20 June 2023, An EU approach to enhance economic security, available at: www.commission.europa.eu > Press corner (status: 20.11.2023).

²⁰ Press release by the Prime Minister of Canada from 21 April 2023, Volkswagen's new electric vehicle battery plant will create thousands of new jobs, available at: www.pm.gc.ca > News > News releases (status: 3.10.2023).

²¹ Due to the lack of comparison data, the number of subsidy measures was used instead of the subsidy amount in Swiss francs. Please bear in mind that other measures, such as requiring businesses to localise, are also included in many countries' industrial policies. Most of the measures involve subsidies, however. Individual subsidies were categorised based on the system used by OECD transfer mechanisms, see OECD (2019), Measuring distortions in international markets: The semiconductor value chain, in: OECD Trade Policy Papers, No 234, available at: www.oecd.org > Browse by Theme > Papers > OECD Trade Policy Papers (status: 3.10.2023).

²² Evenett, S. and Espejo, F. (2023), Commercial Policy Dataset Series Briefing 1, Corporate Subsidy Inventory 2.1, available at: www.globaltradealert.org > Reports (status: 9.11.2023).

According to the Global Trade Alert subsidy database, most of the increase in these measures is due to the COVID-19 pandemic, although this does not fully explain the increase since 2020. Subsidies for decarbonisation measures have also increased.

Subsidies under these industrial policy programmes can have an impact not only on the local economies concerned, but also on the economic situation in Switzerland. Other countries' subsidies or industrial localisation policies give foreign companies a competitive advantage, which can have a negative impact on the Swiss workforce or distort investment decisions. On the other hand, Swiss suppliers could potentially benefit from increased demand from subsidised companies. Another potential positive effect for Swiss companies could occur if foreign subsidies lead to a wider choice of procurement sources or newly developed technologies. However, there is a significant risk that the many initiatives could lead to costly overcapacity. Entering a subsidy race would also tie up valuable tax revenues that could be used more productively elsewhere.

On 14 February, the Foreign Affairs Committee of the National Council (FAC-N) submitted postulate 23.3013²³, calling for an analysis of the impact of the IRA and the GDIP on the Swiss economy. As this issue also raises general questions about Switzerland as a business location, the Federal Council will present a comprehensive analysis in its next status report on the Swiss economy. The IRA and the GDIP can have both a negative and a positive impact on Switzerland: this varies considerably depending on the instrument in question (e.g. type of subsidy, trade barriers between countries, localisation initiatives).²⁴ SECO has therefore commissioned an external report to assess the impact on Switzerland. The Federal Council will present the results of this study together with a comprehensive overview of economic policy measures abroad in the above-mentioned status report. The report will also outline Switzerland's economic policy position in the context of these foreign economic policy developments. The publication is scheduled for the first half of 2024.²⁵ The OECD country report on Switzerland, to be published in the spring of 2024, will also address this issue in more detail.

1.3 Switzerland's positioning

1.3.1 Switzerland in the current geopolitical environment

As a relatively small but economically significant nation in the middle of Europe bound by the law of neutrality, Switzerland is coming under pressure in the current geopolitical environment, which is characterised by growing rivalries between major economic powers and the increasing linkage between national security and economic interests. By virtue of its geographical location and shared fundamental values, Switzerland has particularly close political and economic ties with the EU, the US and similarly aligned states.

Swiss foreign policy aims at peace and security. Switzerland's national security policy toolbox includes export controls and sanctions as instruments to promote stability, security and peace (see Section 8). Export controls can be applied to goods exported to all other countries. They involve checking whether goods can be used for military purposes and assessing export applications on the basis of foreign policy and/or security policy criteria. Sanctions, on the other hand, target specific countries or individuals. Sanctions are also a proven instrument of Swiss foreign economic policy. Switzerland's participation in sanctions serves the implementation of international law and does not violate the law of neutrality.

²³ Postulate 23.3013 by the FAC-N from 14 February 2023, 'Supplementary report on foreign economic policy', German, French and Italian versions available at: www.parlament.ch > Parliamentary business > Search Curia Vista (status: 23.10.2023).

²⁴ Evenett, S. and Fritz, J. (2021), The 28th Global Trade Alert Report, Subsidiaries & Market Access: Towards an Inventory of Subsidiaries by China, the EU & the USA, available at: www.globaltradealert.org > Reports (status: 3.10.2023).

²⁵ The status report will likely propose the abandonment of postulate 23.3753 by Gössi from 15 June 2023, 'Secure the future attractiveness of Switzerland as an economic centre'. In parallel, the Federal Council will publish a report to fulfil postulate 22.3405 by the Social Democratic Group from 9 May 2022 entitled 'Consequences of the war in Ukraine. Evaluation of reduction of long-term strategic dependencies', which will analyse Switzerland's foreign economic dependencies. The postulates can be accessed in German, French and Italian at: 23.3753: www.parlament.ch > Parliamentary business > Search Curia Vista; 22.3405: www.parlament.ch > Parliamentary business > Search Curia Vista (status: 9.11.2023).

Switzerland supports the international harmonisation of export controls and sanctions in order to increase their effectiveness and to maintain a fair competitive environment. For this reason, Switzerland is a party to relevant agreements and participates in politically binding export control regimes and agreements; it also decides on a case-by-case basis after a comprehensive weighing of interests about the adoption EU sanctions. The Federal Council is aware that economic policy and security policy are becoming increasingly intertwined. SECO has responded to this situation by creating a separate office for export controls and sanctions within its Foreign Economic Affairs Directorate.

1.3.2 Switzerland's response to the global proliferation of industrial policy initiatives

Some segments of the Swiss economy will not be able to escape the consequences of other countries' industrial policy initiatives and security-related economic measures. Industrial policy initiatives are not new per se. Well-known examples include German solar subsidies, French digital technology subsidies and the widespread practice of subsidising steel production. The results of such industrial policies are mixed at best and their benefits are widely debated in the academic literature.²⁶ Accordingly, industrial subsidy programmes carry a number of risks. In particular, the government may inadvertently promote inefficiencies due to difficulties in identifying promising industries or the influence of special interest groups in subsidy decisions.

As an open economy with a small domestic market, Switzerland has neither the resources nor the geopolitical ambitions of the major economic blocs such as the US and the EU. Switzerland does not have a sufficiently large market or the economic structures that would allow it to deploy industrial policy resources effectively. The Federal Council has already specified its position on industrial policy initiatives in its 2021 Foreign Economic Policy Strategy. According to the Strategy's action area 5, the resilience of the Swiss economy should be strengthened by diversifying supply chains, evaluating the potential of regional and plurilateral economic agreements and engaging in international cooperation on essential goods. Ultimately, it is the responsibility of companies themselves to ensure that their value chains are resilient. Swiss economic policy plays a supporting role in creating an overall environment in which companies have as many options as possible.

Swiss economic policy therefore focuses on creating favourable conditions for all companies, without favouring any particular sector or technology. This includes a high degree of economic openness, pro-competitive regulation, a high level of access to education, research and innovation as well as physical and intellectual capital, sound public finances, attractive tax policies, economic freedom, a high degree of legal certainty, a flexible labour market and an efficient infrastructure. Such elements can also be found in the horizontal measures of the IRA and the GDIP (see Section 1.2).

Switzerland has been very successful as an economic and industrial location under this policy approach, particularly because it has specialised in areas in which it can remain competitive abroad even without subsidies. Switzerland's manufacturing sector has had the second-highest level of labour productivity in the OECD over the past 20 years, thanks to above-average productivity growth in this sector. The experience of recent crises has also shown that Swiss companies are able to adapt quickly to new situations and conditions. Switzerland's foreign economic policy instruments have proven to be effective in increasing its economic resilience. The most recent example is the abolition of industrial tariffs as of 1 January 2024²⁷, which includes measures to make it easier for Swiss companies to procure inputs regardless of their origin, thus also increasing their competitiveness as exporters. The Federal Council

²⁶ Criscuolo, C., Gonne, N. et al. (2022), Are industrial policy instruments effective?, A review of the evidence in OECD countries, in: OECD Science, Technology and Industry Policy Papers, No 128, available at: www.oecd.org > Directorate for Science, Technology and Innovation (status: 3.10.2023).

²⁷ AS 2023 86; Zimmermann T. (2023), Wie die Schweiz vom Abbau der Industriezölle profitiert, available at: www.dievolkswirtschaft.ch > Themen > Wirtschaftspolitik (status: 4.12.2023).

will include a detailed discussion of possible approaches to further improve these economic conditions in its forthcoming status report on the Swiss economy.

The federal government plays a subsidiary role in the provision of essential goods and services under the National Economic Supply Act.²⁸ These include energy sources, food, animal feed and medicines as well as transport, logistics, information and communication. Imports of essential goods, as described in the report on the Häberli-Koller motion²⁹, are relatively diversified compared to other countries and sectors. The Federal Council is addressing the current national supply challenges with various measures, including the expansion and optimised organisation of the National economic supply³⁰ and sector-specific strategies such as the 2050 Energy Strategy³¹, the Vaccine Strategy³² and strategies related to medicines³³ and food security³⁴. Due to Switzerland's national security concerns and armament policy, armasuisse also has a wide range of instruments at its disposal to reduce the country's dependence on foreign armaments. These include domestic procurement, offset transactions, international cooperation, arms-specific innovation and research promotion in addition to SECO's export control policy. In the year under review, the Federal Council also adopted the dispatch on the Investment Screening Act.³⁵

1.3.3 Measures to promote Switzerland as a business location

Switzerland is a medium-sized economy with a small domestic market and relatively few natural resources. For these reasons, it is much more dependent than other economies on international trade and integration into global value chains.

In today's geopolitical environment, Switzerland continues to focus on creating favourable conditions. In addition to economic policy, financial market policy, education, research and innovation, national and international security policy, social policy, environmental policy and monetary policy, an open, broad-based and rule-based foreign economic policy is important.

Cooperation with the EU, Switzerland's largest trading partner, and securing and developing access to the single market remain Switzerland's top priorities (see Section 2). The Federal Council favours plurilateral and multilateral solutions, which is one of the reasons for its involvement in the World Trade Organization (WTO). Switzerland is committed to reforming the WTO and to a fully-functioning dispute settlement mechanism (see Section 4). In addition, Switzerland continues to develop its bilateral relations with its most important partners (see Section 3). In addition to the use of instruments, Switzerland's trading partners are also implementing new initiatives to strengthen the resilience of international value chains. Switzerland regularly considers taking part in such initiatives and, for example, adopted the Joint

²⁸ SR 531

²⁹ Report by the Federal Council from 31 August 2022, Essential goods. Reducing economic dependencies, to fulfil motion 20.3268 Häberli-Koller from 4 May 2020, German, French and Italian versions available at: www.admin.ch > Documentation > Press releases (status: 21.9.2023).

³⁰ Press release by the Federal Council from 30 March 2022, Federal Council decides on direction for improved national economic supply, German, French and Italian versions available at: www.admin.ch > Documentation > Press releases (status: 9.10.2023).

³¹ Additional information on the Energy Strategy 2050 is available at: www.bfe.admin.ch > Policy > Energy Strategy 2050 (status: 9.11.2023).

³² Strategy by the Federal Office of Public Health (FOPH) and the State Secretariat for Education, Research and Innovation (SERI) from 29 November 2023 for the long-term promotion of research, development and production of vaccines in Switzerland, available at: www.bag.admin.ch > Medicine & research > Biomedical research and technology > Boosting biomedical research and technology > Boosting vaccine research and production (status: 12.10.2023).

³³ Report by the FOPH from 1 February 2022, Supply bottlenecks for human medicines in Switzerland: analysis and improvement proposals, German version available at: www.bag.admin.ch > The FOPH > Current > News > BAG stärkt Arzneimittelversorgung (status: 20.11.2023).

³⁴ Report by the Federal Council from 22 June 2022, Future direction of agricultural policy, in fulfilment of postulates 20.3931 WAK-S of 20 Aug. 2020 and 21.3015 of WAK-N of 2 Feb. 2021, German version available at: www.blw.admin.ch > Politik > Agrarpolitik (status: 20.11.2023).

³⁵ Press release by the Federal Council from 15 December 2023, Investment Screening Act: Federal Council adopts dispatch, accessible at www.admin.ch > Documentation > Press release (status: 15.12.2023).

Statement on Cooperation on Global Supply Chains on 9 May 2023.³⁶ Switzerland also supports selected developing and emerging countries in their integration into the global economy (see Section 7) and, as mentioned above, the Federal Council is implementing Parliament's decision to abolish industrial tariffs as of 1 January 2024. These measures enable economic actors to diversify both geographically and in terms of their suppliers and purchasers.

The two priorities of Switzerland's foreign economic policy strategy, contributing to sustainability (see Section 5) and the digital economy (see Section 6), remain central. Switzerland is committed to sustainable trade and supports the application and development of globally recognised standards at all levels, including negotiations in the WTO and EFTA (European Free Trade Association).

The above-mentioned industrial policy measures and the potential disruption of value chains pose challenges for Swiss small- and medium-sized enterprises (SMEs) in particular. In this context, the Federal Council has published its dispatch on promotion activities for 2024–2027³⁷, which outlines five objectives to promote the attractiveness and competitiveness of Switzerland's SME-heavy economy: 1. Improve conditions for SMEs, for example by upgrading the information and advice provided by Switzerland Global Enterprise and tailoring it more closely to the needs and challenges of exporting companies, or by accelerating the expansion of e-government services via EasyGov; 2. Strengthen regions with structural weaknesses; 3. Contribute to sustainable development; 4. Seize the opportunities offered by digitalisation; 5. Enhance the country's attractiveness as a business location and tourist destination.

The *Team Switzerland* approach to promoting foreign trade and investment, launched in 2020, combines the strengths of business associations, export promotion instruments and various federal offices. This will improve Swiss companies' chances of gaining access to major international infrastructure projects in certain priority countries. The *Team Switzerland* approach has harnessed the power of digitalisation and helped Switzerland to market internationally the highly innovative, high-quality, sustainable and niche nature of its products, services and system solutions. The possibility of applying this approach to projects in Ukraine is currently being explored.

³⁶ Press release by the Federal Council from 9 May 2023, Switzerland joins efforts aimed at securing global supply and value chains, accessible at www.admin.ch > Documentation > Press releases (status: 9.10.2023); Text of the Joint Statement is available at: www.state.gov > Bureaus & Offices > Bureau of Global Public Affairs > Office of the Spokesperson > Press Releases (status: 18.10.2023).

³⁷ BBI 2023 554