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Generalized System of Preferences

HANDBOOK ON THE SCHEME OF SWITZERLAND

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UNCTAD Technical Cooperation Project on Market Access,
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PREFACE

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

INTRODUCTION

This handbook is intended to give, in a consolidated and concise form, information regarding the tariff advantages available to developing countries under the scheme of generalized system of preferences (GSP) of Switzerland, and the conditions under which goods may qualify for preferential treatment on importation into Switzerland.

The handbook has been prepared by the UNCTAD Technical Cooperation Project on Market Access, Trade Laws and Preferences (INT/97/A06) primarily for use within the context of project activities. The publication of this handbook has been made possible through the contribution of the EC Commission to the above-mentioned project.

It should be noted that the description of products is given in terms of the Harmonized Commodity Description and Coding System (HS) on which the Customs Tariff of Switzerland is based, as products covered by the scheme are defined on an individual tariff line basis. The UNCTAD secretariat appreciates the assistance of the Government of Switzerland in the preparation of the handbook.

Although based on official texts, the handbook cannot be regarded as a substitute for these texts; the annexes are an unofficial translation of the original Swiss texts. For more detailed information, authentic and up-to-date legal texts should be consulted.

Further information may be obtained by writing to:

Direction général des douanes
Section des affaires internationales
Monbijoustrasse 40
CH-3003 Berne
Switzerland

BACKGROUND

The Swiss legislation implementing a system of tariff preferences in favour of developing countries was brought into effect on 1 March 1972, as part of a concerted international effort by industrialized countries to assist developing countries to expand their exports and thus increase their foreign exchange earnings. Over time the scheme was extended and amended, culminating in its renewal for a 10-year period from 1 March 1997 to 28 February 2007. The new scheme incorporates changes which take into account the new world trade issues addressed by the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The revisions also reflect the different levels of development of the beneficiary countries.

In accordance with the decision on measures in favour of least developed countries (LDCs) adopted in Marrakech in 1994 on the conclusion of the Uruguay Round, Switzerland provides for duty-free treatment on all industrial products as well as exemption from customs duties on most agricultural products. The scheme was also improved for other beneficiary countries, particularly in the agricultural sector.

DEPTH OF TARIFF CUTS

Preferential rates of duty under the Swiss scheme range from duty-free to various reductions in the rate of duty on certain products and for certain beneficiaries (see annexes I and II).

PRODUCT COVERAGE

Agricultural products (HS chapters 1-24)

Switzerland grants preferences for selected agricultural products falling within 173 HS headings including, *inter alia*, live arthropods, (excluding crayfish), lizards, snakes, batrachians and worms; certain fish, crustaceans and molluscs; natural honey; products of animal origin unfit for human consumption, including coral and natural sponges; live plants and flowers; edible vegetables, fruits and nuts; coffee, roasted and unroasted; spices; rice; banana flour; starches, insulin; certain industrial and medical plants, natural gums and vegetable saps; vegetable materials, animal and vegetable fats for industrial uses, oils and waxes; preparations of meat and fish; sugar; sugar confectionery, cocoa paste, butter and powder; chocolate preparations; malt extracts; pastry cooking products; preparations of vegetables and tropical fruit; extracts and essences of coffee; miscellaneous edible preparations and baking powder; beverages; residues and wastes from the food industry; and preparations of a kind used for animal feed.

Industrial products (HS chapters 25-97)

Switzerland grants preferences for all dutiable industrial products with the exception of selected articles subject to fiscal duties falling within 25 HS headings. Among the products excluded are the following: certain petroleum products; hydrocarbons intended for use as fuel; casin, albumins and dextrans; cinematographic films; and motor vehicles and parts thereof.

Handicraft products

On the basis of bilateral agreements, Switzerland applies a special regime for duty-free imports of specific handloom fabrics of silk, silk waste and cotton. All developing countries that conform with the Swiss requirements concerning certification are eligible to be recognized as beneficiaries, if they apply.

LIMITATIONS ON PREFERENTIAL IMPORTS

The Swiss scheme makes no provision for quantitative limitations on preferential imports. Nevertheless, it is periodically reviewed to determine whether and, where appropriate, to what extent the tariff preferences granted for products imported from specified beneficiaries continue to be justified having regard to the level of development and the financial and commercial situation of those countries.

Provision has been made for a general safeguard clause under which, subject to certain conditions, GSP treatment may be suspended for a certain period of time.

RULES OF ORIGIN

In order to qualify for preferential tariff treatment, goods eligible for tariff preferences:

- Must, in general, be transported directly to Switzerland;
- Must comply with the origin criteria specified for such goods by Switzerland; and
- Must be accompanied by appropriate documentary evidence.

Direct consignment

The rule that originating products must be transported directly from the exporting country to the preference-giving country of destination is an important common feature of all GSP rules of origin. Its purpose is to enable the customs administration of the importing preference-giving country to be satisfied that the imported products are identical to the products which left the exporting country, i.e. that they have been not manipulated, substituted or further processed in any third country of transit.

General conditions

Switzerland recognizes as directly transported:

- Products which do not pass through the territory of another country;
- Products which pass through the territories of countries other than the exporting beneficiary country, with or without trans-shipment or warehousing within those countries, provided that transport through those countries is justified for geographical reasons or exclusively on

account of transport requirements¹ and that the products have remained under customs control in the country of transit or warehousing, and have not entered into commerce² or been delivered for home use there and have not undergone operations other than unloading, reloading and any other operation required to keep them in good condition.

Additional conditions

Splitting up of loads and repacking, except packaging for retail sale, are allowed.

Goods originally consigned to Switzerland but traded to the other EFTA (European Free Trade Association) preference-giving country (Norway) or to the European Union (EU) will still receive preferential tariff treatment in the final country of destination even if the certificate of origin Form A does not show the country concerned as the final destination. *Mutatis mutandis*, the EU applies the same rule in respect of EFTA preference-giving countries. However, the customs authorities of the country of transit (either an EFTA or an EU country) shall issue a new Form A on the basis of the original Form A issued by the exporting preference-receiving country. This new certificate shall have in box 4 the text "replacement certificate" or "certificat de remplacement".

Origin criteria

Products exported from a beneficiary country may be divided into two groups:

- (a) Products "wholly obtained", i.e. products which have been entirely grown, extracted from the soil or harvested within the exporting country or which have been manufactured there exclusively from any of these products. Such products of a preference-receiving country qualify for GSP treatment by virtue of the total absence of the use of any imported components or materials.
- (b) Products which are manufactured wholly or partly from materials, parts or components imported into the beneficiary exporting country (or are of unknown origin). These products qualify for GSP treatment only if they have undergone "sufficient working or processing" in the beneficiary country (see below under "Products with an import content or with a content of unknown origin").

Products wholly obtained

Switzerland recognizes the following as products wholly obtained in a beneficiary country:

- (a) Mineral products extracted from its soil or from its seabed;
- (b) Vegetable products harvested there;
- (c) Live animals born and raised there;

¹ Swiss GSP rules of origin make the provision that transport through countries other than the exporting beneficiary country must be justified for geographical reasons or on account of transport requirements.

² Swiss GSP rules of origin provide that the products must not have entered into commerce in the country of transit or warehousing.

- (d) Products obtained there from live animals;
- (e) Products obtained by hunting or fishing conducted there;
- (f) Products of sea fishing and other products taken from the sea by its vessels;
- (g) Products made on board its factory ships exclusively from products referred to in (f) above;
- (h) Used articles which are collected there and are fit only for the recovery of raw materials;
- (i) Waste and scrap resulting from manufacturing operations conducted there; and
- (j) Products obtained there exclusively from the products referred to in (a) to (i), above.

Products with an import content or with a content of unknown origin

As indicated above, products which have been manufactured in a beneficiary country wholly or partly from imported materials, parts or components (including those of undetermined or unknown origin) are considered as originating in that country if those materials, parts or components have undergone sufficient working or processing. In general terms, working or processing is regarded as sufficient if it transforms the specific nature and characteristics of the materials used to a substantial degree. According to the origin criterion applied by Switzerland ("process criterion"), imported materials, parts or components ("inputs") are considered to have undergone sufficient working or processing if the finished product falls under a tariff heading at a four-digit level different from that of any of the materials, parts or components used in the process ("change in tariff heading"). However, since a change in tariff heading in some cases could be too liberal and in others too stringent a requirement to confer originating status on a product, such products are instead covered by a specific list in which the working or processing required to be carried out on the non-originating materials is laid down.

For a number of processes set out in the above-mentioned list, the rule requires that the value of imported inputs should not exceed a given percentage of the value of the finished products. For the purpose of calculating whether the percentage is satisfied:

- The value of imported inputs is defined as their customs value at the time of importation into the beneficiary country or, in the case of inputs of undetermined or unknown origin, the earliest ascertainable price paid for them in that country. This also applies where the value of the originating materials used in the manufacture needs to be established.
- The value of finished products is the ex-factory price of the products, less internal taxes refunded or refundable on exportation. The ex-factory price includes the cost of production and the producer's profit. Where the processing has been carried out successively in two or more factories, the price to be taken into account is that paid to the last manufacturer, provided that the price includes the value of all the products used in manufacture.

Minimal or insufficient processes

Irrespective of whether the product meets the change-in-tariff-heading requirement, the following operations and processes alone do not confer originating status:

- (a) Operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and similar operations);
- (b) Simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making up of sets of articles), washing, painting, cutting up;
- (c)
 - (i) Changes of packing and breaking up and assembly of consignments;
 - (ii) Simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards, etc., and all other simple packing operations;
- (d) The affixing of marks, labels or other similar distinguishing signs on products or their packaging;
- (e) Simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in these provisions to enable them to be considered as originating products;
- (f) Simple assembly of parts of products to constitute a complete product;
- (g) A combination of two or more operations specified in (a) to (f) above;
- (h) Slaughter of animals.

Unit of qualification

For the purpose of the application of the rules of origin, the following provisions apply with regard to the unit of qualification:

- Where under the terms of the Harmonized System a product composed of a group or assembly of articles is classified within a single heading, the whole constitutes the unit of qualification;
- Sets in the sense of General Rule 3 of the Harmonized System shall be regarded as originating only when all component articles are originating. The set as a whole shall be regarded as originating provided that the value of the non-originating articles does not exceed 15 per cent of the total value of the set;
- Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle which are part of the normal equipment and included in the price thereof or are not separately invoiced shall be regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

Packing

Where under General Rule 5 of the Harmonized System packing is included with the product for classification purposes, it shall also be included for the purpose of determining origin.

Cumulative origin

Switzerland, like the other preference-giving country of EFTA, Norway, applies a system of cumulative origin.³ Under this system a preference-receiving country exporting to Switzerland or Norway is allowed, for the purpose of the rules of origin, to regard materials used in production which have originated in another preference-receiving country with which the exporting country cooperates in a regional economic grouping as if those materials had originated in the exporting country.

Preference-receiving countries forming an established regional economic grouping and wanting to take advantage of this cumulation system, have to apply in advance to the preference-giving country concerned, stating the measures taken by the grouping for the purpose of making use of the possibility of cumulation. Until such an application has been approved by the preference-giving country, cumulative treatment does not apply.

It is the responsibility of the final exporting country to guarantee that the "cumulated" imported materials have, in fact, originated according to the GSP rules of origin applied in the EFTA preference-giving country. The exporting country is responsible, upon request, for the verification of certificates. Switzerland reserves the right to request, in specific cases, the verification of origin of imported "cumulated" materials used in the production of the exporting product. Certificates of origin for the exported products have to show that cumulation has occurred. Currently, the member countries of the Association of South East Asian Nations (ASEAN) are authorized to benefit from the EFTA cumulative acquisition of origin.⁴

Donor-country content

Since 1 July 1996, Switzerland has applied a donor-country content provision. Under this provision, imported inputs of Swiss origin incorporated in a product eligible for preferential treatment under the Swiss scheme can be counted as though they were wholly produced in the exporting beneficiary country for origin purposes. When the donor country rule is applied, the issuing authority in the GSP beneficiary country will issue the final certificate of origin Form A, on the basis of a EUR.1 movement certificate issued by the competent authorities in Switzerland (see annex VI C).

Tolerance rule

On 1 July 1997, Switzerland also introduced a general tolerance rule of 5 per cent (except for textiles and apparel). Under this provision up to 5 per cent of the total value of imported inputs will be tolerated and accepted as quasi-originating.

³ Note that under the Swiss scheme cumulation is not allowed for textiles (HS chapters 50-63) and shoes (HS heading nos. 64.01-64.04 and ex 64.05 - the latter heading only in respect of shoes with outer soles of real leather, composition leather, rubber or plastic materials).

⁴ As from 1 March 1998, Brunei Darussalam and Singapore are no longer eligible for preferential treatment under the Swiss scheme.

DOCUMENTARY EVIDENCE

Claims for GSP treatment must be supported by appropriate documentary evidence as to direct consignment and the origin of the goods.

Evidence of direct consignment

In the case of exports to Switzerland, evidence that the requirements of direct consignment have been fulfilled must, for products passing through the territory of a third country, be supplied to the customs authorities of the importing country by the presentation of:

- A through bill of lading drawn up in the exporting beneficiary country covering passage through the country or countries of transit; or
- A certificate issued by the customs authorities of the country of transit, stating the dates of unloading and reloading of the products or of their embarkation or disembarkation, identifying the ships used and certifying the conditions under which the products remained in the transit country; or
- Failing these, any substantiating documents deemed necessary (for example, a copy of the order for the products, a suppliers' invoice or bills of lading establishing the route by which the products travelled).

Evidence as to the origin of the goods

Originating products must be accompanied by a combined declaration and certificate of origin Form A (see annex VI), filled in by the exporter and stamped by a competent governmental authority of the exporting beneficiary country, except as regards consignments of small value or postal consignments in respect of which special provisions apply (see below). Generally, Switzerland does not accept certificates issued by non-governmental bodies (e.g. chambers of commerce).

Each certificate shall measure 210 x 257 mm; a tolerance of up to plus 8 mm or minus 5mm in the length may be allowed. The paper used shall be white writing paper, sized, not containing mechanical pulp and weighing not less than 25g/m². It shall have a printed green guilloche-pattern background making any falsification by mechanical or chemical means apparent to the eye. It shall be made out in English or French. If it is completed by hand, entries must be in ink and in capital letters. The use of English or French for notes on the reverse side of the certificate is not obligatory. Each certificate shall bear a serial number, printed or other wise, by which it can be identified.

It is the responsibility of the relevant certifying authority of the exporting beneficiary country to ensure that the application is duly completed. The completion of box 2 (consignee) of Form A is optional.

Certificate issued retrospectively

Where, as a result of errors, involuntary omissions or any other special circumstances, no request for a certificate of origin was made when the products were exported, such a certificate may be issued after the actual exportation of the products to which it relates. The appropriate government authority may issue a certificate retrospectively only after verifying that the information supplied in the exporter's request agrees with the

corresponding export file and that a certificate of origin was not issued when the goods in question were exported. A certificate so issued should bear in box 4 the endorsement "issued retrospectively" or "délivré a posteriori".

Duplicate certificate

In the event of theft, loss or destruction of a certificate of origin, the exporter may apply to the certifying authority which issued it for a duplicate to be made out on the basis of the export documents in their possession. The duplicate Form A issued in this way should be endorsed, in box 4, with the word: "duplicata" or "duplicate", together with the date of issue and the serial number of the original certificate.

Consignments of small value and postal consignments

Products declared to be originating in a beneficiary country, which are sent as small packages to private persons by private persons or forming part of travellers' personal luggage are granted preferential tariff treatment without documentary evidence being required, provided that their importation is occasional and not for any commercial purpose and on condition that the value of the products does not exceed the value limits established by the Swiss customs authorities. To claim preferential treatment, a special form known as Form APR should accompany each postal consignment (see annex VI B).

BENEFICIARIES

As at 1 March 1998, Switzerland grants preferences to 154 countries and territories, including 48 LDCs (see annex II). An indispensable condition for the application of the scheme is that the Government of the exporting country must notify the Swiss authorities of the names of the authorities of the country empowered to issue the Form A and must provide specimen impressions of stamps used by those authorities for that purpose.

[Note for Internet users: the Annexes to this Handbook are available in hardcopy only and may be obtained, free of charge, from the UNCTAD Secretariat:
Fax : 0041 22 9070044 or E-mail : gsp@unctad.org]