



Media release

Proposed 'Swissness' law puts jobs at risk

The revision of the 'Swissness' legislation recommended by the Federal Council threatens watchmakers of medium and lower price ranges

Basel, 17 March 2010 - The Swiss Federal Council's planned revision of the legislation for trademarks and coats of arms, which aims at strengthening the 'Swiss Made' label, is having the opposite effect. Paradoxically, it is weakening the Swiss brand and putting thousands of jobs at risk. The interest group IG Swiss Made, which includes watchmakers in the medium and lower price ranges, is critical of this move.

The current regulations for the Swiss watch-making sector state that during the manufacturing of a watch's movement, which is the most important component of a watch, at least 50% of the manufacturing costs must be generated in Switzerland. Furthermore, the watch must be assembled in Switzerland, and quality control must take place in Switzerland. This clear directive has shown its effectiveness over decades, as proven by the success of Swiss watches both in Switzerland and abroad.

The new regulation being proposed by the government requires that a minimum of 60% of the entire manufacturing costs of a watch be generated in Switzerland. Instead of the desired increase in quality, this would result in a paradoxical compromise of quality in watches of medium and lower price ranges, because in order to increase the Swiss share of the manufacturing costs, manufacturers would have to begin utilising cheaper – and thus inferior quality – components from abroad, in order to keep Swiss percentage high enough.

The alternative, which would be to increase the Swiss manufacturing share by boosting the domestic production of casings, faces, and hands, is not possible in practice. The result would be massive price increases leading to a serious deterioration of the competitive environment. In this way, the legislation recommended by the Federal Council would result in the loss of thousands of jobs.

This protectionist legislation also contains the risk of adding tension to relations with the EU and China, since suppliers of the Swiss watchmaking sector who are located in those areas would be affected by it. "The Federal Council would be better off finally implementing the international treaty with the EU from 1971. The protection of the 'Swiss Made' label is regulated in that treaty in favour of Switzerland, but this regulation has never been adhered to by the EU in practice," says Ronnie Bernheim, joint owner of the successful watch company Mondaine. "The Swiss watch industry would benefit much more if the Federal Council would implement the execution of this treaty with the EU instead of proposing this unnecessary new legislation and complicated decrees."

"The 'Swiss Made' label is a brand promise," Ronnie Bernheim emphasises. "Watches with the 'Swiss Made' label promise precision, reliability, and durability – in short, quality. Today, the share of Swiss material and work is regulated transparently and clearly. The planned legislation revision casts doubt on this brand promise because it would actually result in a deterioration of quality, and higher prices. Not only would state-of-the-art

factories, producing watches of medium and lower price ranges need to close, but consumers, the sector, and thus the Swiss economy as a whole would suffer as well, due to a protectionist and unnecessary law.”

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