**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
   1. **Describe the trading country’s economic system, economic information important to your**

**proposed business/ product/ service, the level of foreign investment in that country**

* 1. **Describe the trading country’s governmental structure and stability, how the government**

**controls trade and private business**

Switzerland was formally a confederation but is currently similar in structure to a federal republic. A federal republic is a federation of states with a democratic form of government. The “states” that make up Switzerland’s federal republic are the 26 cantons that Switzerland is comprised of. Switzerland does not have any political pressure groups and leaders. The head of Switzerland’s government is the President of the Swiss Confederation, Simonetta Sommaruga (since January 1,2015), and the Vice President, Johann N. Schneider- Ammann (since January 1, 2015). The election/appointment process of Switzerland’s executive branch is that the President and Vice President are indirectly elected by the Federal Assembly from among members of the Federal Council for a 1-year, non-consecutive term. The last election held was on December 3, 2014 and the next to be held is in early December 2015.

Switzerland was ranked 7th out of 177 countries in Transparency International’s 2013 Corruption Perceptions Index and it currently has a Freedom From Corruption Score of 85.0. Corruption does not affect business in Switzerland because property rights are strongly enforced, and an independent and fair judicial system is institutionalized throughout the economy. Also, corruption is not present in the Swiss economy because commercial and bankruptcy laws are applied consistently and efficiently, and property rights/patents are respected and enforced. Switzerland has many effective anti-corruption measures in force.The Criminal Code criminalizes active bribery and the bribery of foreign public officials, while bribery in the private sector is criminalized under the Unfair Competition Act. A company can be criminally prosecuted and ordered to pay a large fine for acts of corruption. In addition to corruption, gifts can be considered illegal depending on the value, intent, and the benefit obtained.

Switzerland has a very low political risk. Political risk is the risk that an investment's returns could suffer as a result of political changes or instability in a country. The AMB Country Risk Report of 2015 gave Switzerland a political risk summary of 1 (score 1= best and score 5= worst), while the world’s average is 3. Switzerland benefits from a stable and predictable political system, even when political shifts do occur. While Switzerland is not a member of the EU, it has brought much of its regulation and practices in-line with EU standards. The country voted in a February 2014 referendum to place restrictions on immigration. Although a law has yet to be enacted, pressure has been placed on EU relations. Restrictions on the freedom of movement are in violation of current bilateral treaties, putting the free trade currently in place at risk.  Switzerland has a favorable operating environment, ranking 20th out of 189 countries in the World Bank’s 2015 Ease of Doing Business survey. All of this is a result of Switzerland’s high political stability. In an IMD World 2011 Political Stability Survey, Switzerland was said to have the second highest political stability, with a score of 9.49 (stable=10 and unstable=0). Compared to other countries, the United States was in 15th with a score of 8.47, China was in 22nd with a score of 7.15, and Japan was in 55th with a score of 3.89. Switzerland’s political stability is due to the strive for consensus on the basis of cooperation and agreement. A unique feature of Swiss politics is the concordance system. So, not only those who win the elections have a seat in parliament; all parties are represented proportionally by number of votes. Thus, as many groups as possible have the opportunity to express their opinions on a topic and contribute to achieving compromise.

Switzerland’s law organization participation accepts compulsory ICJ jurisdiction with reservations, as well as ICCt jurisdiction. The KOF political Globalization Index measures Switzerland having an average of 81.64 points. This means that Switzerland has a relatively large number of embassies and commission, international organizations in which they are members of, the number of peace missions they participate in, and the number of treaties with other countries. This shows that Switzerland is very involved internationally, raising the chance of success with the distribution of Chacos in Switzerland. The 2015 Index of Economic Freedom scores Switzerland with an 80.5, ranking Switzerland 5th in the world in terms of economic freedom. Switzerland scores 90.0 points by the 2015 Index of Economic Freedom in terms of Trade Freedom. Switzerland has a 0 percent average tariff rate and is a member of the European Free Trade Association. Foreign and domestic investments subsidies are significant as well. Switzerland’s highly competitive and well-developed financial sector offers a wide range of financial services and encourages entrepreneurial activity. This promotes the business of Chacos in Switzerland because of the encouraged entrepreneurial activity in this country. In regards to trade balance, Switzerland has a surplus of exports to the US compared to imports from the US.

Starting a private business in Switzerland is relatively easy. The 2015 Index of Economic freedom rates Switzerland with 78.1 points in terms of Business Freedom. In regards to starting a private business in Switzerland, Switzerland’s competitive regulatory framework promotes business formation and operational efficiency. While no minimum capital is required, starting a business involves six procedures:

* Place the paid-in capital in an escrow account with the bank
* Draft the articles of association in the presence of a notary public
* File the deed certifying the articles of association to the local commercial register to obtain a legal entity
* Pay a stamp tax at post office or bank after receiving an assessment by mail
* Register for VAT
  1. **Describe laws and/or government agencies that affect your business / product / service:**

**B. Trade area and cultural analysis**

* + - 1. **Geographic and demographic information, important customs and traditions, other**

**pertinent cultural information, competitive advantages and disadvantages of the**

**proposed product and/or service.**

Switzerland has a temperate climate that varies with altitude and seasons. In the winter time it is cold, cloudy, rainy, and snowy, but in the summertime it is cool to warm, cloudy, humid, and there are occasional showers. The terrain is mostly mountains (Alps in the south, Jura in the northwest) with a central plateau of rolling hills, plains, and large lakes. Some of the natural resources that Switzerland has to offer are timber, salt, and hydropower potential. avalanches, landslides, and flash floods are a few examples of the natural hazards in Switzerland that can affect the environment. Transportation of goods in Switzerland can be through waterways, airport, rail port, and trucking. In Switzerland, there are 1,227 km of waterways on lakes and rivers for public transport and 65 km on the Rhine River between Basel-Rheinfelden and Schaffhausen-Bodensee for commercial goods transport. In addition to waterways, Switzerland has a very high density of railway network. The Swiss Federal Railways (the national system) runs some 5000 passenger trains covering approximately 274,000 kilometres daily, half of which are trains operated by long distance services the other half being regional and suburban services. In 2013, 366 million passengers used the Swiss Federal Railways. Rail transport in Switzerland also include car and truck transportation service. Switzerland has a network of two-lane national roads. These roads usually lack a median or [central reservation](https://en.wikipedia.org/wiki/Central_reservation). Some stretches are controlled-access, in that all traffic must enter and exit through ramps and must cross using grade separations.Because of these reasons, most commercial goods are not transported within Switzerland through roads/trucking. Zurich Airportalso called Kloten Airport, located in Kloten, canton of Zurich, Switzerland and managed by Unique Airport is Switzerland's largest international flight gateway and hub to Swiss International Air Lines and Lufthansa. The second largest, Geneva Cointrin International Airport, handled 10.8 million passengers and the third largest, EuroAirport Basel-Mulhouse-Freiburg, 4.3 million passengers, both airports being shared with France. Air travel is a popular way to transport commercial goods.

Based off of Switzerland’s population pyramid, one can see that the most predominant age group in the country are those between the ages of 45 - 49. The Swiss age structure is : 0-14 years - 15.09% (male 630,944/female 594,465), 15-24 years - 11.29% (male 468,036/female 449,309), 25-54 years - 43.67% (male 1,780,039/female 1,766,820), 55-64 years - 12.18% (male 494,285/female 495,107), 65 years and over - 17.76% (male 631,204/female 811,621). The total median age is 42.1 years, with the male’s being 41.1 years and the female’s being 43.1 years. The country’s infant mortality rate is 3.67 deaths/1,000 live births and the birth rate is 10.5 births/1,000 population. Switzerland’s current population growth is 0.71%. Switzerland has a myriad of ethnic groups, with the most prominent being German 65%, French 18%, Italian 10%, Romansch 1%, other 6%. Switzerland has a very educated population, with the School life expectancy (primary to tertiary education) being 16 years. The average salary in Switzerland is $33,49. The population living below the poverty line is 7.6%.

The most practiced Religions in Switzerland are Roman Catholic 38.2%, Protestant 26.9%, Muslim 4.9%, other Christian 5.7%, other 1.6%, none 21.4%, unspecified 1.3%. Some important Swiss values are privacy, direct communication, equality in society, men are leaders of the family, community, and country, and politeness. Meeting basics/ negotiation process in Switzerland are be early or on time, being late is considered very rude (up to 15 minutes late is considered the max), be prepared for meetings, do not appear aggressive or demanding in negotiations, and be confident and take negotiations seriously. Gift Giving/ Bribery in switzerland is as follows: when invited to a home, bring flowers, candy, chocolate, or wine.  always give flowers in odd numbers, for business settings, punctuality is considered as a gift.  actual gifts are not typically exchanged, gifts can be exchanged after successful negotiations - do not [give a gift](http://www.giftypedia.com/Etiquette_for_Office_/_Business_Gift_Giving) more expensive than what you would bring for a visit to someone's home. In Switzerland, you are not obligated to tip in establishments, although, if you do, do not tip the usual 10-20%.  If you are satisfied with your service, you can add up to the nearest 5-10 Francs.  Also, if you are a frequent customer at an establishment, you may leave a tip if you wish to do so. In regards to dress, Swiss people value clean, simple outfits and they dress appropriately for the weather. When dealing with communication, the handshake is the most common greeting in Switzerland. You are expected to shake hands when meeting and departing. Some Swiss colleagues may kiss and/or embrace each other, depending on the closeness of their relationship. When meeting people, you should wait for a third person to initiate the introductions if there is one. You should also stand when being introduced to someone. Do not keep your hands in your pockets, sit with one ankle resting on the other knee, or slap your friends' backs. Also, you should use your full hand when pointing at something.

In regards to the Hofstede Model, the model can be broken down into power distance, individualism, masculinity, uncertainty avoidance, long term orientation, and uncertainty avoidance. At 34, Switzerland sits in the lower rankings of Power Distance  – a society that believes that inequalities amongst people should be minimized. This means that the following characterizes the Swiss style: power is decentralized and managers count on the experience of their team members, control is disliked and attitude towards managers are informal and on first name basis, and communication is direct. Switzerland scores relatively high in the Independence section, with a score of 68, and it is therefore considered an Individualist society. In Individualist societies offence causes guilt and a loss of self-esteem, the employer/employee relationship is a contract based on mutual advantage, and hiring and promotion decisions are supposed to be based on merit only. Switzerland scores 70 in Masculinity indicating a highly success oriented and driven country. In Masculine countries, people “live in order to work”, managers are expected to be decisive, and the emphasis is on equity, competition and performance. Switzerland scores 58 in Uncertainty Avoidance.  In these cultures there is an emotional need for rules, time is money, people have an inner urge to be busy and work hard, and precision and punctuality are the norm. With Long Term Orientation, Switzerland has a high score of 74. In these societies, they show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest. thriftiness and perseverance in achieving results. Switzerland scores high in Indulgence, with a score of 66. People in societies classified by a high score in Indulgence generally exhibit a willingness to realize their impulses and desires with regard to enjoying life and having fun. Switzerland is a low culture culture.

* + - 1. **Market segment analysis target market (age, income level, population estimate, other**

**specific demographic and economic information) customer buying behavior related to the**

**proposed product and or service.**

The number one target markets for our Chaco products are males and females ranging from ages 15 to 34. Of the 8.081 million people that populate Switzerland, males and females ages 15 to 34 compose about 25.3 percent of the population. 80 percent of people ranging from ages 15-64 have a paid job, including the Chaco’s target market. Switzerland is ranked as a high income, developed country. The GNI (Gross National Income) per capita is 53,762 dollars. The mean years of schooling in Switzerland is 12.4 years. In regards to these factors, the more employment and education within a country typically correlates in a positive development of the country. Due to these factors, persons in Switzerland would have the purchasing power for Chaco products.

In Switzerland, 44 percent of the population ages 15 to 74 enjoy hiking, making hiking the most popular sport in Switzerland. The average Swiss hikes about 20 times a year for an average of 3 hours. In addition to the people residing in Switzerland, outdoor activities attract tourists every year. Approximately 300,000 people visit Switzerland annually and enjoy the 65,000 kilometers of hiking trails offered to them. The products that Chaco produces are typically used for outdoor recreation purposes, such as hiking.

Consumers will purchase Chaco products for outdoor recreational purposes and are typically heavily used by the consumer. In addition to outdoor recreational purposes, Chaco products can be worn for regular wear. Benefits from purchasing a Chaco product include long-lasting wear. Chaco sandals use Polyurethane (PU) for their foot-beds, optional outsoles are included for both extreme and moderate conditions, as well as the benefit of Chaco-repair.

* + - 1. **Analysis of the potential location- importance and requirements of each trade documents**

**required by the U.S.A. and/or Canada and the country of choice.**

Switzerland’s relationship with the United States is broad and deep, and its trade and investment relationship is large and dynamic.  Switzerland was the single largest source of foreign investment into the United States in 2010, and Switzerland is also an important destination for U.S. investment – there is more U.S. capital invested in Switzerland than in China, India, Brazil and Russia combined. In 2014, Switzerland exported goods worth $28.3 billion to the United States. The United States is by far the most important destination for Swiss direct investment abroad which, between 2012 and 2013, amounted to $204 billion or 17.6% of all its direct investment abroad. For the United States, Switzerland is an important destination for American direct investors. With direct investments of $129.8 billion it is also the third most important country of origin of foreign direct investments in Switzerland. A Joint Economic Commission and the Trade and Investment Promotion Forum help to strengthen and promote trade relations between the two countries.

In regards to import requirements and documentation, all imported goods must be presented to the appropriate Customs office and declared for clearance. Goods imported into Switzerland must be declared within the following time limits from arrival in the country by various means of transportation: road, 24 hours; river, 48 hours; rail, 7 days; and air, 7 days. The importer may examine goods before submitting them for clearance. For Swiss Customs purposes, an ordinary commercial invoice in duplicate is considered sufficient documentation. The invoice should contain the following details: description of the products and packaging, gross and net weight of each package, quantity (in metric terms), country of origin, and CIF value to the Swiss border. As Swiss duties are specific, indication of value is required only for statistical purposes. No consular or other stamp is required. The average value for the number of documents needed for importing goods into Switzerland was 4 documents with a minimum of 4 documents in 2005 and a maximum of 4 documents in 2005.

There are many reasons why Switzerland is a good country to export to. First off, the country is geographically in a good region for transportation. In Switzerland, there are 1,292 km of waterways - there are 1,227 km of waterways on lakes and rivers for public transport and 65 km on the Rhine River between Basel-Rheinfelden and Schaffhausen-Bodensee for commercial goods transport. There is a river port on  the Rhine River and the average value for the Number of 20-foot containers passing through the ports in Switzerland was 101834.2 containers with a minimum of 78285 containers in 2009 and a maximum of 121436.88 containers in 2013. There are also 63 airports in Switzerland. In regards to railways, there are 5,651.5 km worth of railways; the average value for the volume of goods transported by railways in Switzerland was 8885.3 metric tons times kilometers with a minimum of 6241 metric tons times kilometers in 1983 and a maximum of 16736 metric tons times kilometers in 2007. Another reason why Switzerland is a good country to export to is because of the adequate level of capable employees available. There are currently around 5.008 million people in Switzerland’s labor force. The average value for the female labor force participation rate in Switzerland was 58.84 percent with a minimum of 56 percent in 1990 and a maximum of 61.8 percent in 2013. The average value for the Male labor force participation rate in Switzerland was 77.37 percent with a minimum of 74.9 percent in 2013 and a maximum of 80.8 percent in 1991. Not only is there a large workforce in Switzerland, the Swiss workers are also very educated. The average literacy rate for the people of Switzerland is 99% and the school life expectancy (primary to tertiary education) is 16 years.