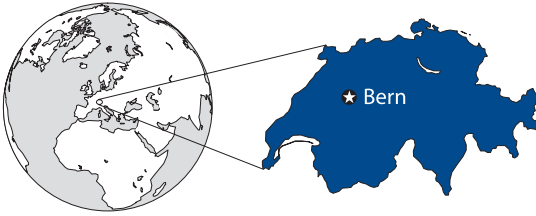


SWITZERLAND



World Rank: **5**

Regional Rank: **1**

Switzerland's economic freedom score is 81.1, making its economy the 5th freest in the 2012 *Index*. Its score has dropped by 0.8 point since last year, with declines in freedom from corruption, business freedom, and the score for government spending. Switzerland is ranked 1st out of 43 countries in the Europe region, and its overall score is much higher than the world average.

Well-secured property rights, including for intellectual property, promote entrepreneurship and productivity growth. A tradition of minimum tolerance for corruption has been well institutionalized in an efficient legal framework, strongly sustaining the rule of law. The judicial system, independent of political influence, ensures effective and transparent enforcement of commercial contracts.

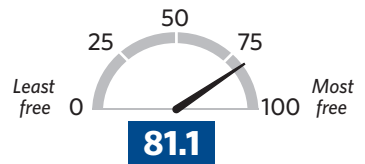
Switzerland's openness to foreign trade and investment continues to provide real stimulus for a dynamic and resilient economy. A sound regulatory environment and minimal barriers to trade have contributed to its status as one of the world's most competitive and innovative economies. Macroeconomic stability and a highly developed and competitive financial sector reinforce Switzerland's position as a global financial hub. The financial sector has recovered swiftly from the global financial crisis and has withstood a weakening of bank secrecy laws.

BACKGROUND: A federal system of government disperses power widely, and executive authority is exercised collectively by the seven-member Federal Council. Switzerland has a long tradition of openness to the world yet jealously guards its independence and neutrality. A ban on the building of minarets on mosques was introduced in November 2009 after approval by popular referendum. Switzerland joined the United Nations in 2002. Two referenda on membership in the European Union have failed by wide margins, and membership in the European Economic Area was rejected by referendum in 1992. Switzerland is one of the world's richest and most investment-friendly countries, with a well-developed financial services industry. In addition to banking, the economy relies heavily on precision manufacturing, metals, pharmaceuticals, chemicals, and electronics.

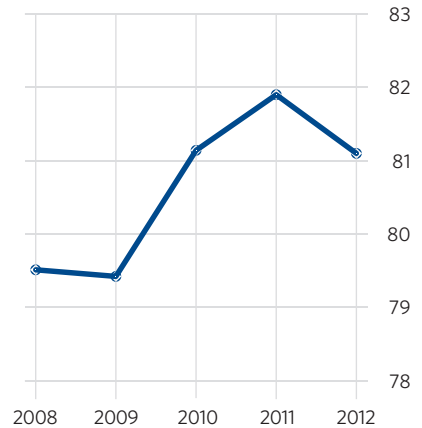
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

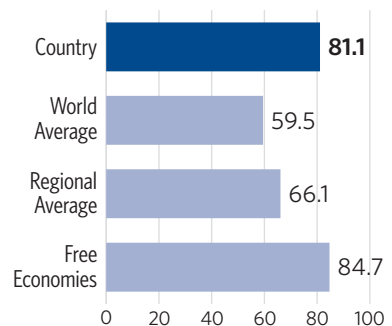
Economic Freedom Score



Freedom Trend



Country Comparisons

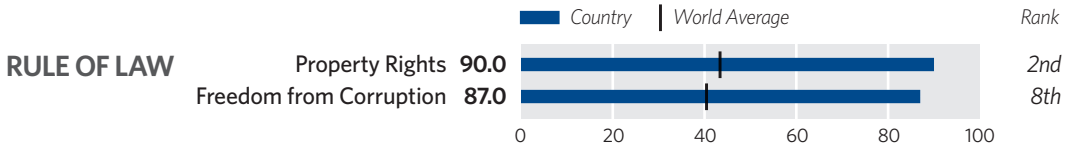


Quick Facts

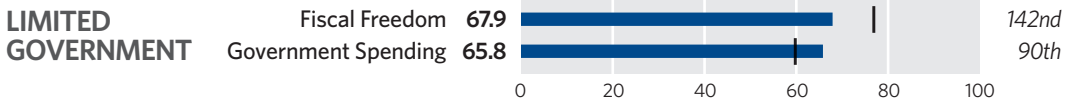
Population: 7.8 million
GDP (PPP): \$324.5 billion
 2.6% growth in 2010
 5-year compound annual growth 1.9%
 \$41,663 per capita
Unemployment: 4.5%
Inflation (CPI): 0.7%
FDI Inflow: -\$6.5 billion
Public Debt: 55.0% of GDP

2010 data unless otherwise noted.
 Data compiled as of September 2011.

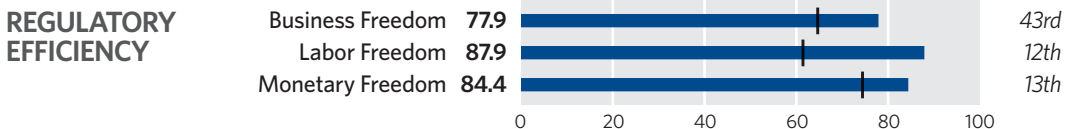
THE TEN ECONOMIC FREEDOMS



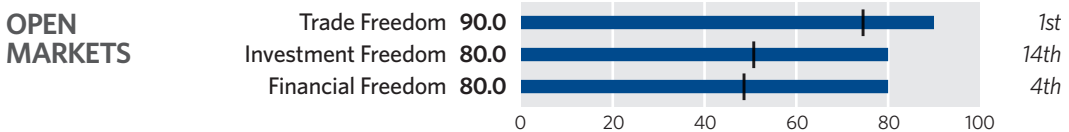
Protection of property rights is strongly enforced, with an independent and fair judicial system institutionalized throughout the economy. Commercial and bankruptcy laws are applied consistently and efficiently. Intellectual property rights are respected, and enforcement is consistent with world standards. Effective anti-corruption measures discourage bribery of public officials and uphold the integrity of government.



Taxation is more burdensome at the cantonal levels than at the federal level. The top federal income tax rate is 11.5 percent, with the combined tax rate as high as 41.5 percent. The federal corporate tax rate is 8.5 percent, but the joint rate can be up to 24 percent. The overall tax burden amounts to 30.3 percent of total domestic income. Government spending is equivalent to 33.7 percent of GDP, with small budget surpluses still in place.



The competitive regulatory framework strongly supports commercial activity, allowing efficient and dynamic business formation and operation. Bankruptcy proceedings are relatively easy, although the overall pace of improving business efficiency has slowed somewhat in comparison to other economies. Labor regulations are relatively flexible, and provisions concerning work hours have been eased. Monetary stability is solid.



The trade weighted average tariff rate is zero, but non-tariff barriers add to the cost of trade. Switzerland continues to be open to foreign investment, and the investment code is transparent and efficiently administered. The modern and highly developed financial sector provides a wide range of financing instruments. Despite the challenging external environment, banking remains well capitalized and sound.

Score Changes

| RULE OF LAW | | LIMITED GOVERNMENT | | REGULATORY EFFICIENCY | | OPEN MARKETS | |
|-------------------------|------|---------------------|------|-----------------------|------|--------------------|---|
| Property Rights | 0 | Fiscal Freedom | -0.5 | Business Freedom | -2.3 | Trade Freedom | 0 |
| Freedom from Corruption | -3.0 | Government Spending | -3.5 | Labor Freedom | +0.1 | Investment Freedom | 0 |
| | | | | Monetary Freedom | +0.6 | Financial Freedom | 0 |