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More competition and further reform would boost growth in Switzerland, says OECD

Switzerland's stable political system and flexible labour market have helped make it one of the world's richest countries. But it won't be able to stay that way unless it carries out more reforms and opens it markets to more competition, according to a new OECD report.

Switzerland: Seizing the opportunities for growth notes that economic growth in Switzerland has weakened, rising by only 1.5% a year since 1980 compared to an OECD average of 2.75%. To stimulate growth, the government has launched reforms to increase domestic competition and enhance its integration into the global economy. It has also signed a range of agreements with the European Union, its main trading partner.

However, the pace of reform has been slow and the results fragmented. The product market is over-regulated compared to neighbouring countries. The report notes that more ambitious reforms could be carried out that respect social and environmental objectives, within the existing political and governance framework. To boost public support for reform, the government should promote its benefits, such as increased consumer choice and lower prices.

To stimulate growth, the report recommends Switzerland increases the pace of reform and pursues broader and deeper reform in four key areas. It should:

- Strengthen competition policy, notably in the internal market. Competition authorities should be made more economically and politically independent and public procurement markets opened up.

- Cut regulatory and technical barriers to trade to promote a positive environment for international trade and investment. Make the public sector more efficient and effective, notably for health care spending. Swiss prices are high by international comparison, particularly for imported goods. Removing restrictions and opening up market access at a local level would benefit consumers and business.

- Speed up reform of key infrastructure sectors. Despite progress on reforming sectors such as telecommunications and civil aviation, developments in other sectors have been slow. The electricity sector, in particular, remains closed to competition. The role of independent regulatory authorities should be better consolidated within the national regulatory framework.

- Increase public sector efficiency by improving federal and cantonal regulations. Using existing regulatory tools, such as benchmarking and Regulatory Impact Analysis, to do this will help the authorities better assess the impacts of new laws and regulations. It will also make it easier to determine where red tape and unnecessary regulations can be cut.

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Switzerland is the 21st OECD country to have requested a broad review by the OECD of its regulatory practices and reforms. The report presents an overall picture, within a macroeconomic context, of regulatory achievements and challenges, including the quality of regulation, competition policy and market openness. The report also contains detailed reviews of sectors such as civil aviation, electricity, post and rail services and telecommunications.

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Switzerland: Seizing the opportunities for growth is available to journalists from OECD's Media Division (tel.[33] 1 45 24 97 00) or through the password-protected website (www.oecd.org/media/protectedsite).

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