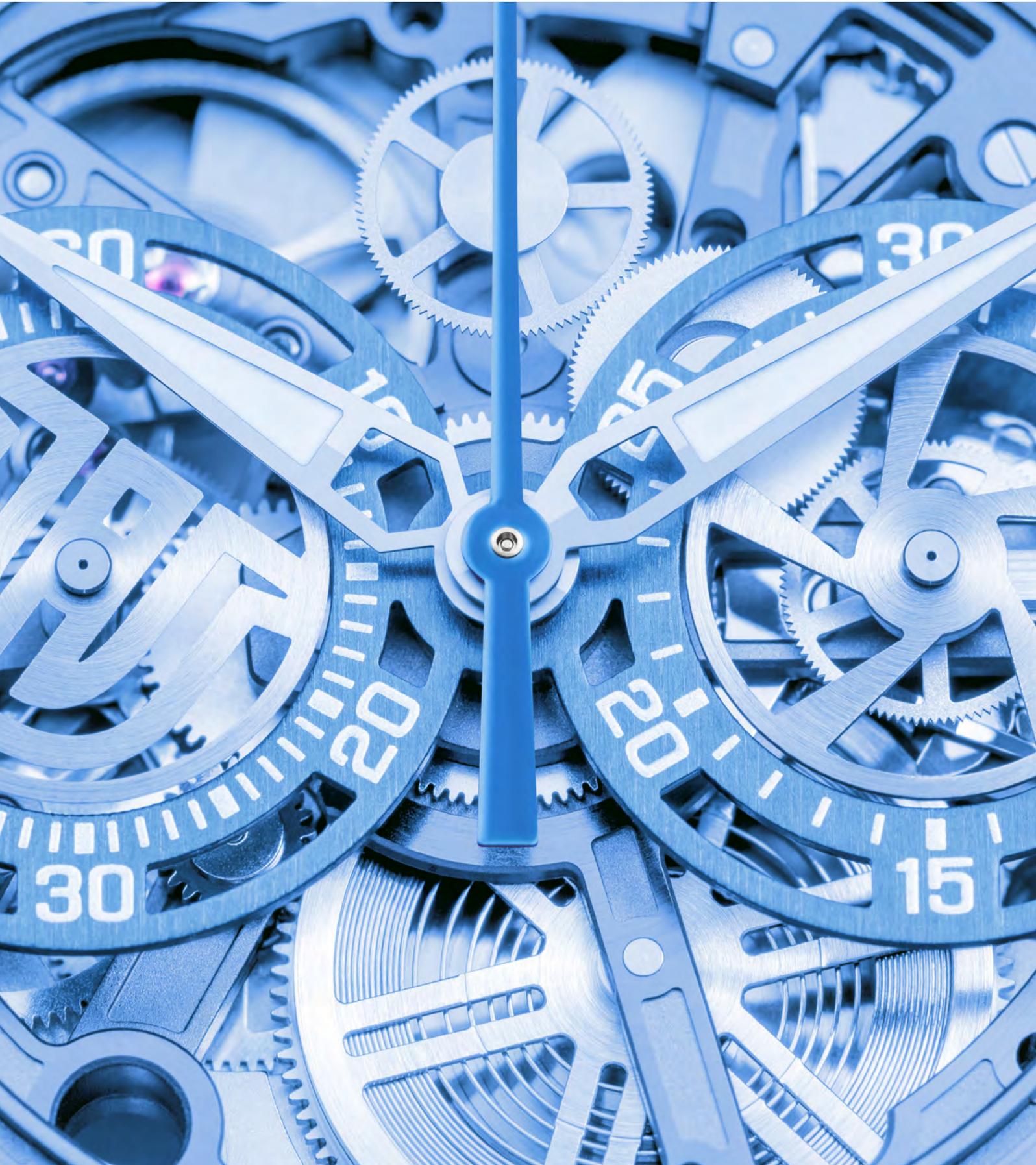




Fédération de l'industrie horlogère suisse FH  
Verband der Schweizerischen Uhrenindustrie FH  
Federation of the Swiss Watch Industry FH

# Annual Report 2017





# FH Annual Report 2017





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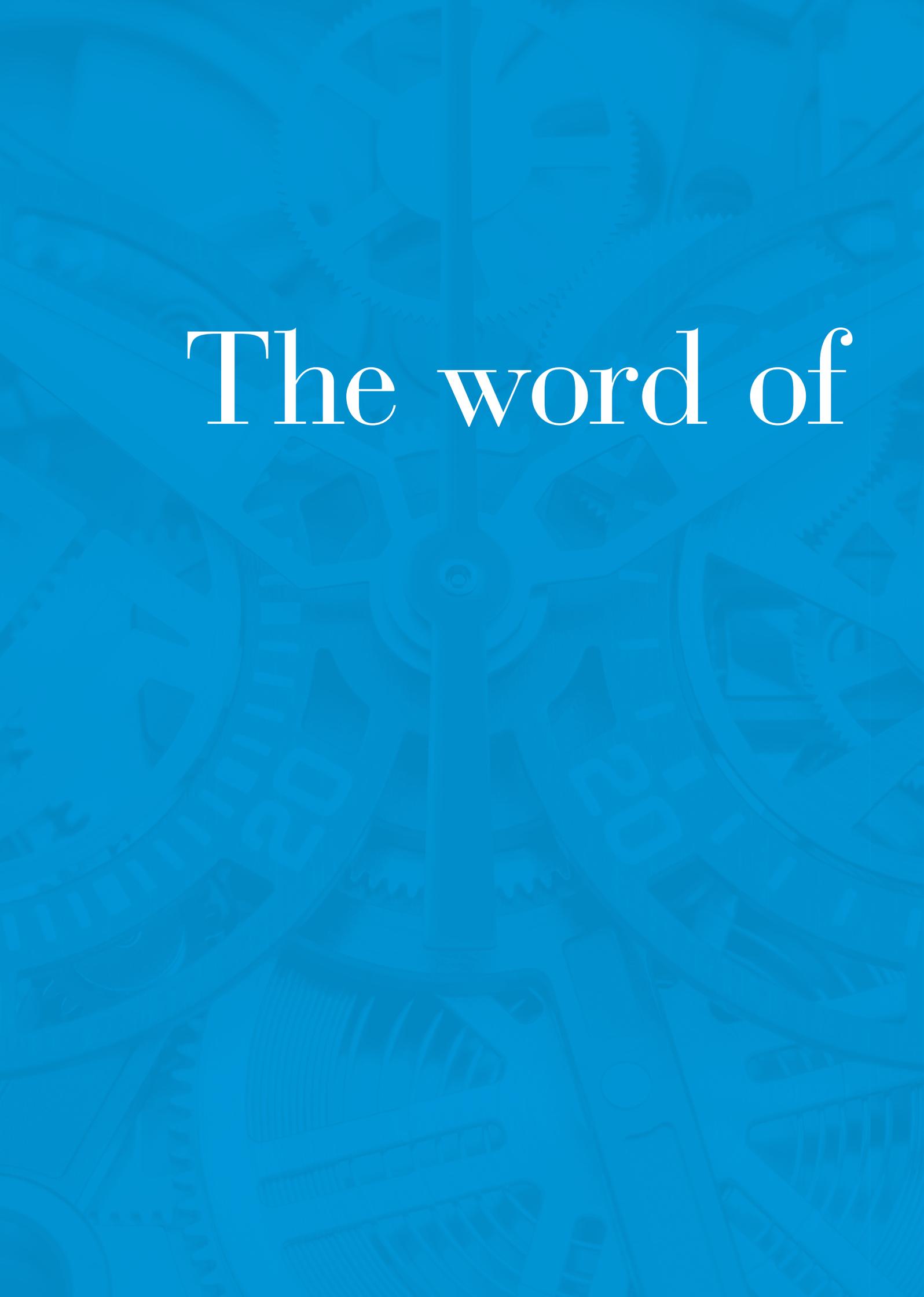
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The word of

# the President



At the end of 2016, we announced that our exports would probably stabilise in 2017. That scenario has materialized faster and even more strongly than predicted. Growth is back at a rate of 2.7% with the value of watch industry exports representing CHF 19.9 billion. Admittedly, not everybody has benefited from this trend as yet, especially sub-contractors and situations may differ

widely from one Swiss company to another. However, these developments did give us grounds for cautious optimism at the start of 2018 and we expect this positive trend to continue.

2017 saw the implementation of the revised “Swiss made” label. On the whole, the adaptation went ahead relatively smoothly. However, this review is still coming in for criticism: some companies believe it is too stringent and others not stringent enough. The margin for manoeuvre between divergent opinions within the branch, the WTO rules and free trade agreements was in any case narrow. It was not possible to do more and doing less would have lacked credibility. Work also focused on interpretation of the text showing how the 60% rate is to be calculated and on the publication of the list of materials that are not available in sufficient quantities in Switzerland. The FH is already taking very active measures to prevent unlawful use of the “Swiss Made” designation. However, it intends to strengthen its inspection mission further, especially when the transitional measure expires at the end of 2018. As part of the fight against counterfeiting, the FH has arranged for nearly two million copies of Swiss watches to be impounded all over the world; that number of products making unauthorized use of “Swiss made” have been taken out of circulation.

The financial year under review also saw the ISO Congress in early September in Hong Kong. ISO norms play a welcome role of predictability and standardization. Firstly, they make companies' work easier by establishing a recognised basis. Secondly, they contribute to the harmonisation of technical rules at global level, so facilitating free trade.

Supervision of legislation and improvement of the framework conditions worldwide, including the free trade agreements, remain priorities for the FH. In addition, new rules appear at very regular intervals and must be analysed to measure their potential impact on our branch. 2017 lived up to this tradition: marking of precious metals in Russia, new certification in South Korea, disposal of electrical waste in the United Arab Emirates, introduction of the GST in India, attestations required in Egypt.

Perusal of this annual report for 2017 will enable you to discover all this information and much more besides. Our report reflects the extensive activity pursued by the FH for the benefit of its members and for the whole industry. Our aim remains that of promoting the development of our branch in Switzerland and all over the world to enable the Swiss horological industry to maintain its leadership.

Jean-Daniel Pasche





# Highlights

# of 2017

The start of the year 2017 saw the successful conclusion of an important matter on which the FH had been working for more than ten years, namely the entry into force of the new Swiss made ordinance. This revised text now guarantees consumers a minimum of 60% Swiss added value for the watch head. The new Swiss made definition is synonymous with a stronger fight against counterfeiting and support given to the different agencies, authorities and States that are combating this threat. In 2017 the FH redoubled its efforts in this area on many fronts. In parallel, Switzerland and China opened discussions leading up to a review of the free trade agreement signed in 2014. The FH took part in this work which prioritizes the renegotiation of customs duties. Last but not least, the biennial ISO/TC 114 Congress was also held in 2017. This meeting of seven national delegations brought significant progress on several projects concerning standardization in the watch industry.



# Swiss made

## Entry into force of the revised ordinance

A famous German adage has it that “all good things take time”. This is particularly true of the Swissness legislation whose origins date back to 2006. That was the year in which the Swiss Parliament adopted the two Fetz and Hutter Postulates which instructed the Federal Council to examine legislative measures that might be taken to strengthen and better protect the “Swiss” indication of origin. On 2 September 2015, after lengthy discussion in several committees of the two Chambers and tough political debates, the Federal Council finally adopted the legislative package and decided that it would enter into force on 1 January 2017. In parallel, it opened the consultation procedure on the draft Swiss made ordinance for watches. Following the rejection of a motion by the National Council and the withdrawal of another by its own author, the new Swissness legislation, including the Swiss made ordinance for timepieces, came into force in early 2017 and is no longer under any further political threat or contestation at present.

Swissness takes account of the fact that most Swiss products enjoy an excellent reputation all over the world and therefore command higher prices than comparable products manufactured abroad or of unknown origin. Scientific studies show that this Swiss added value may represent on average 20% and up to 50% for luxury products (consumers in some countries are even willing to pay a 100% supplement for a genuine Swiss watch!). Swissness has also brought essential clarity in respect of the legal requirements by stipulating, in the case of industrial products, a minimum unified rate of 60% of the cost price which must be generated in Switzerland. This figure is made up of research and development costs, expenditure on materials and manufacturing costs, i.e. all of the expenditure incurred directly in the manufacture of a product, but excluding natural products and raw materials that are not available in Switzerland. Costs that are not directly related to the manufacture of a product, such as marketing and distribution expenses, are also excluded.

From the point of view of the watch industry, the strengthening is palpable considering that the former Swiss made ordinance for watches dating back to 1971 and revised in 1995 laid down no value criterion for the finished product. In this regard, it simply required the use of a movement in which Swiss manufacture accounted for not less than 50% of the value of all the component parts excluding the assembly cost. No account was taken at that time of the exterior parts. By requiring a 60% rate of the cost price of the entire watch head, the revised ordinance now guarantees a clear Swiss added value for the consumer. With effect



from 1 January 2019, technical development and prototyping of the timepiece and of its movement will also have to be performed in Switzerland. These new criteria supplement those already stipulated in the previous law, namely casing up of the movement in Switzerland and final inspection of the watch on Swiss soil.

In order to support the FH members and other stakeholders in the Swiss watch industry with the application and interpretation of the new rules, the FH has published a Swissness guide. This guide permits a better understanding of the details of the new rules used to calculate the cost price which were introduced with the new legislation. Moreover, the FH has been urged by its members and the parties involved in the watch-making world, to provide information about Swissness. Its legal experts have answered hundreds of e-mails and organised several dozen meetings to assist the industry with implementation of the rules. In parallel, the FH has also begun to draw up opinions on matters of interpretation which were left open in the legal texts. These questions concern such matters as the definition of the Swiss watch case or the possibility of excluding materials that are not available in Switzerland but are essential to the product design. These materials are now centralised in a branch list drawn up by the FH and available for consultation by everyone on its website. Proactive management of this list gives businesses a clear insight into the possibility of excluding the cost of certain materials.

In 2017, the FH used its best endeavours to ensure a smooth transition to the new rules and to support the Swiss watch industry with their correct application. The ultimate objective is still to preserve the excellence of the Swiss made label for watches in the eyes of consumers all over the world.

# Commitment on every front

## To secure favourable background conditions

### Revision of the Switzerland-China Free Trade Agreement

As stipulated in the future development clause of the free trade agreement which took effect in 2014, bilateral discussions have been opened with a view to revision of that agreement. The work began in May when a meeting of experts attended by a large delegation from the Chinese Ministry of Trade was held in Bern, followed by a mission to China by the Secretary of State for Economic Affairs, Marie-Gabrielle Ineichen-Fleisch.

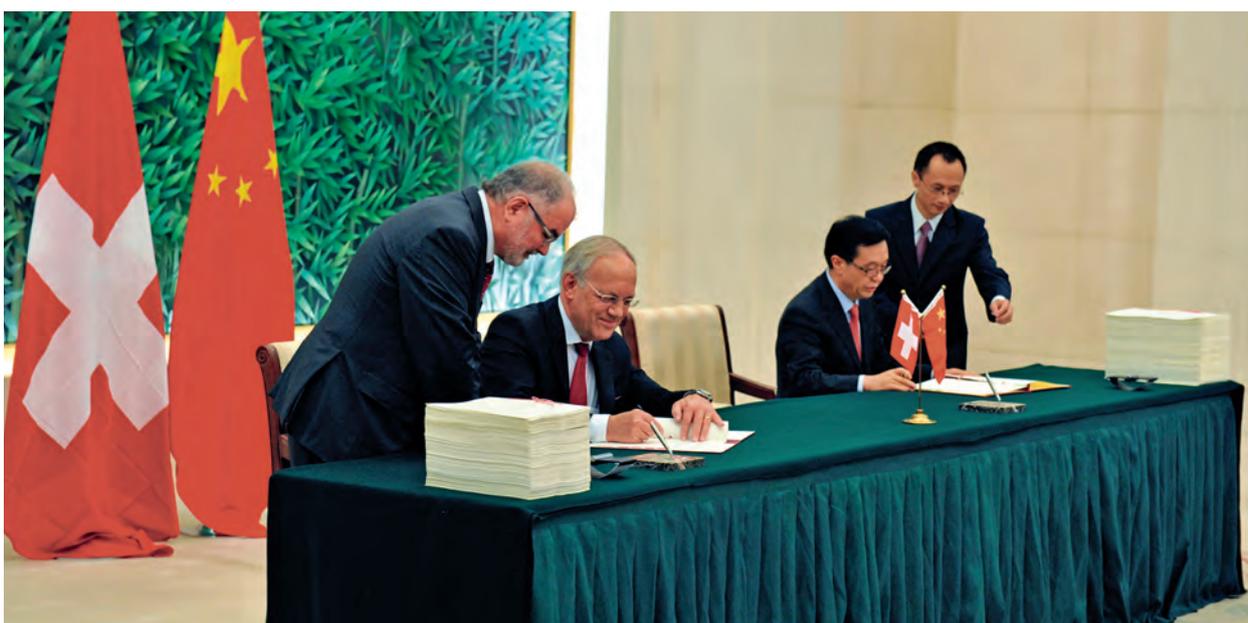
With priority placed on the renegotiation of customs duties, the FH highlighted the need for maximum dismantling of tariff barriers, more specifically for watch products which only benefit at present from a partial reduction in the context of the lower rates that were initially laid down. This concerns as a matter of priority some types of watches (six tariff headings) and various components (three headings). For the record, the initial tariff dismantling plan extends until 2023.

We must in fact point out that the sole reduction of customs duties on imports into China has not as yet had any particularly significant impact on trade flows. At the same time, the preferential treatment of goods on their entry to China has

often resulted in longer customs clearance procedures; that in turn has led a number of exporters to deliberately dispense with this treatment. Other relatively binding provisions linked to the transport of goods have also been highlighted.

The requests made by the FH are based on the objective of achieving the broadest possible liberalisation of access to the market for watch industry products, based on an awareness that this liberalisation goes hand in hand with the policy of development of domestic consumption on which the Chinese Government embarked two years ago. They also aim to ensure proximity and quality of the after-sales service on which increasing calls are being made because of the growing volume of products in circulation on the market.

When it comes to transport, the Chinese authorities dispensed at the end of the year with the compulsory presentation of the Non-Manipulation Certificate that had previously been required for goods in transit to an airport in the European Union and then carried by air to a destination in China. Even if that requirement had only a limited impact on watch product consignments, it nevertheless presented a problem to the extent that some European countries did not issue this certificate for goods covered by agreements to which they are not themselves parties.



*Johann Schneider-Ammann and Gao Hucheng (seated) at the signing ceremony of the free trade agreement in 2013*



## Protection of the consumer and environment

For several years the number of cases involving hazardous substances has been rising constantly. This situation is attributable to a growing awareness on the part of all the countries that wish to strengthen consumer and environmental protection. As an electronic or mechanical product, watches do not escape from this rule. A few years ago the FH already reacted to this trend and created a legislative monitoring committee; its members are mostly technical experts who back up the FH legal specialists.

In 2017, this committee examined Regulation 836/2012 REACH which prohibits the marketing or use of jewellery articles if the concentration of lead in the component parts is equal to or greater than 0.05% by weight. Although this prohibition does apply to wrist watches, a legal exemption nevertheless exists for internal watch components that are inaccessible to consumers (movement components). In 2017, the European Chemical Products Agency held a consultation seeking to review this restriction on lead and the relevant exemptions in the light of new scientific data concerning, in particular, the availability of substitute products and the migration of lead. The FH sent a position statement to the European Union authorities seeking to defend the exemption for the watch industry by pointing out, firstly, that there is no risk of exposure for consumers and, secondly, that substitute materials able to guarantee the same finish quality are not available on the market. Defence of this exemption is essential to enable the watch industry to continue to procure component supplies. The European Chemical Products Agency is expected to respond early in 2018.

Many other legislative proposals have also been monitored, one of which deserves special mention. In 2017, the authorities of the United Arab Emirates decided to introduce new RoHS legislation applicable among other things to quartz watches. Although in substance the legislation is largely inspired by the equivalent laws of the European Union and Switzerland and sets out identical limit values for the same substances, the problem arises at the level of a certification procedure that is unique of its kind and extremely complex, indeed impossible for companies to administer. These enterprises are expected either to accept audits of their activities or to submit analyses for the “critical” product components. In view of the incoherent text and unrealistic measures required

by the Emirati authorities, the European Union, the United States and Japan are intervening in the World Trade Organisation (WTO) in an effort to convince the United Arab Emirates to adopt a more flexible regime. At the request of the FH, Switzerland has joined these actions and the State Secretariat for Economic Affairs is following the case with the support of the local Swiss Embassy.

### No new marking in Russia!

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Alerted during the summer, the FH intervened in the context of a proposal by the Russian Finance Ministry for a regulation requiring the individual identification of each jewellery product and consequently of each precious metal watch put on sale on the market.

Basically, this proposal which concerns both domestic and imported products, draws its inspiration from the regulatory provisions applicable to articles produced from furs sold in the RuBeKa Customs Union (Russia, Belarus, Kazakhstan). It is based on the compulsory unique marking of each individual product by laser engraving (QR Code) and is designed in particular to permit better traceability.

Many arguments militate in favour of an exemption for watches: existing legislation (for example: producer's identification mark in force in Switzerland), application of the WTO rules on barriers to trade, excessive administrative burden, technical and legal constraints. Above all, the FH called attention to the provisions of the bilateral convention on the mutual recognition of official hallmarks on precious metal watches which took effect in 2013. This convention in fact requires the parties to desist from any verification, analysis or further hallmarking of watches covered by its scope of application.

Actions taken with the support of the Federal Administration enabled initial progress to be made in the autumn to the extent that representatives of the Russian precious metal assay office confirmed verbally that Swiss watches made of precious metals will indeed be excluded from the scope of application of the regulations that are being prepared. This would be the only exception in this particular case. Use of the conditional tense remains appropriate here until such time as the legislative texts become available. The FH is of course keeping a close watch on this matter.



# ISO/TC 114 Congress – Watch industry

## Biennial meeting



*Participants at the ISO/TC 114 Congress*

The 23<sup>rd</sup> International Standardisation Congress ISO/TC 114 – Horology, was held in the impressive setting of the Hong Kong Convention Center. It was organised by the delegation from this special administrative region of the People's Republic of China.

The welcoming message by Chairman Silvano Freti focussed on the art of negotiation. The four pillars (separating persons from the problem, concentrating on interests, inventing options, using objective criteria) were applied perfectly to enable this biennial meeting of experts from seven delegations (Germany, China, France, Hong Kong, Japan, United Kingdom and Switzerland) to make significant progress with several draft standards, all this with a positive mindset and in a spirit of consensus and cooperation.

Water resistance was a focus of attention not only because the revised text of standard *ISO 6425 – Divers' watches* was debated at length and quasi-finalised; discussion also centred on standard *ISO 22810 – Horology - Water-resistant watches*. The decision was taken to create a working group without launching a proposal for revision, but tasked with an examination of the desirability of improving this standard, with particular reference to the principal test that must determine whether or not water has penetrated into the watch.

Cells and batteries, including those intended for watches, are being discussed in a technical committee (IEC/TC 35) which does not come under the responsibility of the Horology Committee. However, privileged relations enable the corresponding standards to be influenced in the light of the watch industry's specific wishes. A number of resolutions on the requirements concerning dimensions and tolerances of button cells, lithium batteries and rechargeable micro-cells were adopted in Hong Kong.

The standard relating to magnetism has been under review since early 2016 under the responsibility of the Japanese delegation that wishes to limit the values for resistance to magnetic fields in just two categories; that wish is not shared by the other experts, especially those from Switzerland. Discussions and work will continue for another one to two years in order to finalise the revised text of standard *ISO 764 – Magnetic-resistant watches*.

Turning to watches made of hard materials, work on the draft standard based on the technical specification which took effect in September 2015 continued and is nearing completion. Publication of the new standard *ISO 18684 – Timekeeping instruments - Watch external parts made of hard materials - General requirements and test methods* is due to be published in the course of 2018.

Following the Swiss example, the ISO/TC 114/SC 13 (watch glasses) committee has decided to prepare a standard concerning anti-reflection treatment of watch glasses (ISO 14368-4). The Chinese delegation is very active in this field and can rely on close cooperation with the experts who took part in the drafting of the Swiss standard. This international project still requires a considerable amount of work and is unlikely to be finalised before 2019.

China which is responsible for the technical sub-committee on clocks and small clocks put forward a new draft standard on the subject of small radio-controlled clocks. A working group was therefore set up to examine this issue.

Last but not least, all the decisions were taken unanimously, so avoiding the need for any subsequent discussions or negotiations. In general, the work is progressing satisfactorily.



*Silvano Freti*



# Swiss made

## Ongoing fight against infringements

The entry into force on 1 January 2017 of Swissness and of the revised ordinance governing the use of the Swiss designation for watches took place against the background of a continuous fight by the FH for a number of years against horological products which feature false indications of Swiss origin. A significant new criterion has, however, been added: at least 60% of the cost price of a timepiece bearing a Swiss indication must be of Swiss manufacture. Proving lawful use of the valuable label is therefore becoming far more complicated for companies that have little or no link to our country, but nevertheless show these references on their products. However, many obstacles still remain. Far from relaxing its efforts, the FH is deploying all the judicial and extra-judicial means at its disposal in an attempt to force unscrupulous companies which make unlawful use of the Swiss made designation to comply with the rules. A brief outline.

### Support for the local authorities

In April 2017, the Municipal Bureau for Industry and Commerce of the City of Penglai in China contacted the Swiss Embassy to report its doubts as to the real origin of certain timepieces bearing Swiss indications and sold in their region. After receiving this request, the Swiss Embassy naturally asked the FH to clarify the situation. The brands concerned were not first offenders. To secure rapid evidence of the infringement, test purchases and technical analyses of the products were made at the request of the Chinese authorities. Of the five brands that were analysed, four proved to be clearly non-compliant because their watches were fitted with foreign movements that had not been assembled in Switzerland and had of course not been verified by the manufacturer on our territory.

Backed by these findings, the Penglai authorities decided to visit a number of resellers of these products in order to confiscate pieces that were making unlawful use of the Swiss made designation. Just under 396 watches with a street value of more than 100,000 francs were impounded in this way. The case has been referred to the local authorities and is taking its course. This affair shows that governments, including the Chinese Government, are increasingly keen to guarantee a safer environment for consumers from their region and loyal competition between the various players on the market.

### Information for consumers

The editors of “Legal Daily”, a Chinese State journal, were alerted by a dissatisfied consumer who had come across dubious watches for sale on a Chinese e-commerce platform. Boasting a prominent Swiss made label, these timepieces were in fact Asian products that had no link whatever to Switzerland. Without delay, while pursuing their own parallel investigations, the journalists from the Chinese Daily contacted the FH to find out more about the use of the term Swiss made. In all, of the fourteen watch brands named by the journalists eleven were pinpointed by the FH as failing to comply with the Swiss made regulations. This information was then relayed in the article entitled “New Way for Free Rider” published in March 2017. This in-depth journalistic study not only pilloried certain brands but also called attention to many Chinese legal provisions which prohibit sellers from false advertising and lying about the origin of the goods proposed by them. Chinese consumers who are misled are becoming increasingly aware of their rights and can claim high compensation. The dealers for their part risk severe fines. The article also called attention to the liability of the online sales platforms if they maintain offers that they know to be fraudulent. Of particular interest to the FH, this angle of attack may in the end enable the sale of this type of product to be cut off at source.

### Cooperation with the Swiss customs authorities

Budget cuts made under the 2017-2019 stabilisation programme of the Confederation have put an end to the cooperation which the FH had maintained for many years with the Central Office for Precious Metal Assays in Bern on the subject of Swiss made. Article 22a of the law on precious metal assays enabled this Office to detain in customs watches that were suspected of making unauthorised use of Swiss geographical indications. This solution provided a wide margin for manoeuvre to permit an amicable impounding procedure with no time limit imposed on temporary retention of the goods. With effect from 2018, the fight against infringements of Swiss made at the level of the customs authorities will only be able to continue through an application for conventional intervention lodged with the Swiss authorities; that is a far less flexible procedure. Nevertheless the FH is making active preparations for this change and will redouble its efforts to ensure that customs checks remain as effective as they were in the past.

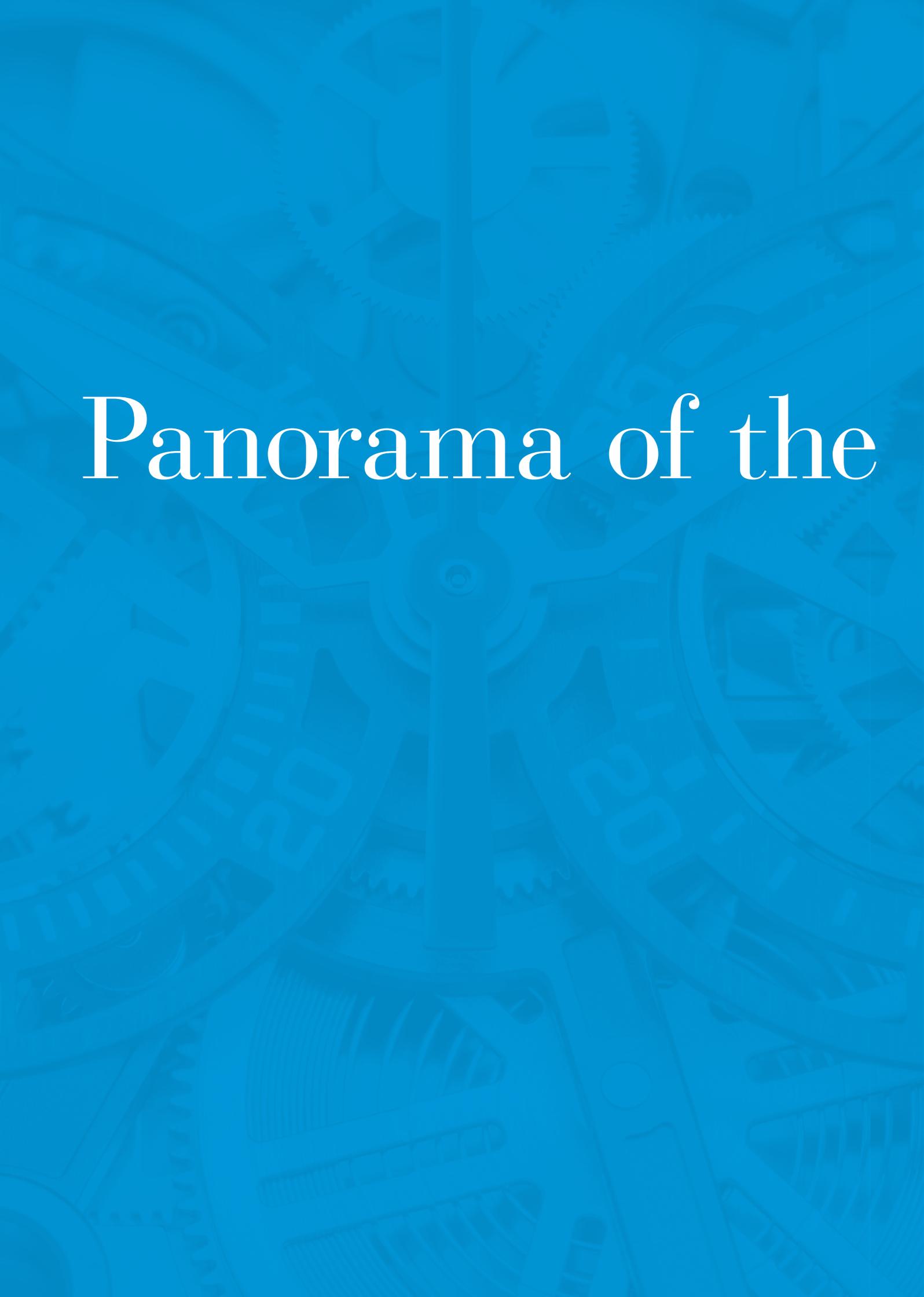
## Opposition to the registration of new marks

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Before new watch products can be placed on the market, the marks associated with them are often registered all over the world. Sometimes the mark itself contains a reference to Switzerland, such as Swiss Navy, Swiss Mir or Royal Swiss. The FH therefore keeps a constant watch worldwide on all marks filed for watch industry products. As soon as one of them is identified as being liable to pose a problem, the FH takes steps which consist in asking the applicant to withdraw or change his mark. It may also find it necessary to open opposition proceedings or to put observations to the relevant offices.

To this end, the FH relies on the national regulatory provisions which protect geographical indications and consumers against trickery and also on its Swiss and Swiss made certification marks that have been registered in Hong Kong and the United States. A significant victory was won on appeal in the High Court of Justice of Hong Kong in 2017 thanks to the Swiss certification mark. This enabled registration of the Swissbernard watch industry mark to be prohibited as it was evidently intended to mislead consumers over the true origin of the products. Last year action taken by the FH permitted the rejection in all of 23 similar marks which made unauthorised use of Swiss indications. This is a first rampart limiting the arrival on the market of watch industry products which use the Swiss made designation unlawfully.





# Panorama of the

# 2017 activities

As the umbrella organisation of Switzerland's third largest export industry, the FH pursues multiple objectives. These include improving framework conditions for the sector in Switzerland and the rest of the world, tackling the problem of counterfeiting, supporting its members and keeping them, the media and consumers informed. The following pages present a non-exhaustive selection of its activities in 2017.



# Improvement of framework conditions

In line with the actions referred to in the section entitled “Salient facts”, the FH continued to act in defence of the industry’s interests. It intervened on many markets, in the context of negotiations on the conclusion of new free trade agreements and the revision of existing agreements, on the occasion of official missions (State visits, bilateral joint committees) or acting on requests put by members.

The FH intervened in this way on some twenty different markets, including South Africa, Saudi Arabia, Argentina, South Korea, Egypt, India, Indonesia, Iran, Israel, Palestine, Peru, the Philippines, the United Kingdom and Russia.

Market access conditions, organisation of distribution, protection of intellectual property rights and temporary imports were some of the main subjects dealt with. Examples of action of this kind taken during the year are set out below.

## Swissness – Grossen motion

In 2016, in other words before the Swissness legislation entered into force, National Council member Jürg Grossen (Green-Liberal Party, Canton of Bern) had tabled a motion seeking a reduction of the minimum criteria for use of the “Swiss” mark from 60% to 50% for industrial products. The FH played a particularly active role in the National Council. It advocated the rejection of this motion on the strength of the following arguments:

- It is high time to put an end to all the parliamentary proceedings concerning Swissness and to gain experience with the revised law. If laws that have already been adopted are no longer accepted in Switzerland, in the final analysis legal certainty itself is being jeopardized.
- If this motion were to be adopted, rules that have only been in force since 1 January 2017 would already be called into question. This creates inopportune and dangerous instability: the Federal Council rejected the motion, pointing out that its approval would conflict with legal certainty, investments and their planning in our country.
- Businesses have already brought their production processes and presence on the market into line with the revised law. Moreover they have made or are planning investments accordingly. These companies would therefore be penalized by any further change of the background conditions. Decisions taken on investments would no longer be justified. This is intolerable!

- The motion would result in a weakening of Swissness as compared to the present practice. Under the revised law, the calculation of the Swiss share of the product design is formulated more flexibly. Research and development costs can be imputed, while the cost of materials that are not available in Switzerland can be excluded.

Finally, Jürg Grossen withdrew his motion in early September 2017, so putting an end to the parliamentary procedure surrounding the new regulatory provisions on Swissness.

## Protection of animals - Aebischer motion

On 10 September 2015, National Council member, Matthias Aebischer (Socialist Party, Canton of Bern) had tabled a motion seeking to prohibit the importing of products originating from animals that had been badly treated. This motion was directed first and foremost at food products such as foie gras and frogs legs, but might also affect leather straps.

With the support of other economic organisations including economiesuisse, Swiss Textiles, GastroSuisse, the Swiss Cosmetics Association and the Bakers and Confectioners Federation, the FH spoke out against this motion. For the opponents it goes without saying that production methods which involve cruelty to animals are unacceptable. However, given the small scale of the Swiss market in the broader context of a global value creation chain, procedures must be laid down at international level. If Switzerland were to adopt provisions couched in very general terms, our country would have to make sure that the Swiss notion of protection of animals is respected all over the world. That is not realistic:

- The Federal Council rightly pointed out that, given the wide range of imported products, it is hardly possible to check everywhere and at all times the conditions under which a product of animal original was procured abroad. Semi-finished components of animal original are often incorporated into finished products. Switzerland would have to draw up an impressive list of production methods that are held to inflict ill-treatment on animals and then carry out verifications locally in other countries. The likelihood of success is greater if a coordinated international approach is adopted in this area.
- A blanket ban on imports of the kind proposed in this motion is hardly compatible with international law. This prohibition contradicts the principles of the General

Agreement on Tariffs and Trade (WTO) and might also come into conflict with bilateral agreements with the European Union on trade in agricultural products. There is a risk that major economic partners might impose retaliatory measures. As an exporting country, Switzerland would have no interest whatever in that happening.

- The law on the protection of animals grants authority to the Federal Council to prohibit the importing of animals or animal products on grounds of conservation of species. If the ban on imports were to apply, there would in all probability be a greater risk of conflict with the WTO. In dealing with the WTO, Switzerland would have to be able to show that no less stringent measures can be adopted to attain the set objective. Otherwise it would be ill-equipped to defend its position in any panel. An overall ban on imports might in all probability be in breach of WTO rules.
- Instead of imposing a ban on imports, it would be preferable to invoke the responsibility of producers and create consumer awareness. The latter can be much better informed about the origin of products and manufacturing processes through the existing rules and opportunities for declaration.

Contrary to all expectations, the motion was adopted by the National Council during the 2017 summer session. The FH and its allies therefore took the fight on to the Council of States. The Commission on Science, Education and Culture of that Council clearly rejected the motion on 13 October 2017. Acting on the recommendations of its Commission, the plenary session of the Council of States went on to bury the motion once and for all on 29 November 2017. However, we must point out that yet another motion is still pending in the National Council. Tabled by National Council member Martina Munz (Socialist Party, Canton of Schaffhausen), this proposal concerns reptile skins and is expected to be debated in 2018.

## Argentina and Peru

The FH Chairman took part in the Presidential visit by Doris Leuthard to Argentina and Peru from 17 to 22 April 2017.

With a population of 43 million, Argentina is the third largest country of Latin America after Brazil and Mexico. Following the Kirchner era, President Mauricio Macri has put in hand reforms seeking to restore investors' trust. In particular, he wishes to pursue a more open trade policy within Mercosur (Argentina, Brazil, Paraguay and Uruguay).

Argentina is the 39<sup>th</sup> market for the Swiss watch industry and the 2<sup>nd</sup> in Latin America after Mexico, but ahead of Panama and Brazil. Development of this market remains challenging, especially for watches made of precious metals. These are liable for a special tax of 20% (excise tax = impuesto suntario), calculated on the customs value augmented by 30%, in addition to customs duties of 20% and VAT (21%). Such heavy taxation penalises our precious metal watches. It prevents effective development of the market to the detriment of local distributors and Argentine consumers. Moreover, it favours smuggling and the grey market. This point was raised during discussions with the Secretary of State for Trade, Miguel Braun, to whom a memorandum explaining this problem was submitted. In reply, we were told that the Argentine Government does indeed wish to reform the taxation system to make the economy more competitive. Hopefully, the negotiations leading up to a free trade agreement between Mercosur and EFTA will be brought to a successful conclusion. That might already result in a reduction of customs duties.



*Doris Leuthard and Mauricio Macri, Argentinean president*

Peru for its part has been seen as the economic miracle of Latin America with an impressive average annual growth rate. This was due mainly to the mining sector supported by foreign investments. Against a background of falling prices and demand, growth slowed in 2016 and 2017 but was still positive.

This country remains heavily dependent on raw material prices. It is also affected by other structural challenges, including some gaps in the public education system, the level of poverty and insecurity.

On the bilateral level, Switzerland exports machinery, electronic appliances, pharmaceutical products, precision instruments, watches and jewellery. It imports almost exclusively gold and a few agricultural products. On the watch industry front, Peru remains a small market even though there are no particular barriers in that country.

## Indonesia

The FH Chairman accompanied a mission led by the Head of the Federal Department of Economic Affairs, Education and Research, Johann Schneider-Ammann, to Indonesia from 13 to 14 July 2017.

With a population of just under 260 million, this is the world's biggest Muslim nation and the largest territory of South East Asia. Although GDP has been rising in recent years, exports have fallen especially because of declining demand for commodities and falling commodity prices. Indonesia is the world's foremost exporter of palm oil and also sells crude oil, natural gas, coal, precious metals and mineral ores. The Indonesian



*Johann Schneider-Ammann and Joko Widodo, President of Indonesia*

authorities intend to reduce the dependence of their economy on commodities and develop local industry. Measures have been taken to improve the investment climate by liberalising the economy. This is heavily dependent on domestic consumption.

At the bilateral level, negotiations between Indonesia and EFTA on a free trade agreement are expected to be concluded in 2018. That would be a positive factor for Switzerland and for its economy.

Switzerland mainly exports machinery, together with chemical and pharmaceutical products to Indonesia. Apart from some raw materials, it imports precious metals as well as footwear and garments.

Indonesia is still a small market for the Swiss watch industry, ranking 7 among our world markets.

On the occasion of discussions with the different ministers (Minister for Industry, President of the Indonesia Investment Coordinating Board, Minister of Trade), the FH took the opportunity to raise a number of problems. Indonesia certainly holds out potential for further development for Swiss watches, but customs duties would have to be reduced in future to enable our exports to be stepped up.

Protection of intellectual property is still insufficient in Indonesia. The sale of copies of Swiss watches in this country remains a matter of great concern. The authorities are not sufficiently aware of this issue and take little action to remedy the situation.

Last but not least, restrictions are imposed on foreigners wishing to open a point of sale. Under the terms of a Presidential decree, they must rent a floor space in excess of 2,000 m<sup>2</sup>. At present that minimum floor space is compulsory for any foreign national who operates a retail outlet. This is of course a protectionist measure designed to favour local traders.

In their replies, the ministers pointed out that Indonesia wishes to open up and liberalise its economy. Access to the market, in particular a reduction of customs duties, should take effect if solutions are found in the context of negotiations leading up to the free trade agreement. The authorities are aware of the problems surrounding intellectual property. In this case too the conclusion of an agreement could help to improve the situation.

## India

On the occasion of an economic delegation, the FH accompanied the President of the Swiss Confederation, Doris Leuthard, on a State visit to New Delhi at the end of August. This mission also marked the 70<sup>th</sup> anniversary of the treaty of friendship between the two countries.

After embarking on a continuous reform process, the Indian Government has confirmed on a number of occasions that foreign investments are an essential component of any such reform. As the eleventh foreign investor in India at present, Switzerland does of course have many advantages in this process. This dynamic is also of interest to the Swiss watch industry brands, with particular reference to their sales networks since Indian requirements applicable to investments in single brand points of sale are gradually being eased.

The need for pragmatic solutions to conclude a free trade agreement on which negotiations began nine years ago was discussed in considerable detail during the many conversations. The main differences which still exist concern the liberalisation of trade in industrial products (including watches) and services, as well as the protection of intellectual property. In this connection, the FH points out that the unlawful use of Swiss geographical indications remains a problem.

Many drastic tax measures designed to restrict the informal economy and touching upon all the economic circuits have been put in place recently: compulsory registration of all natural persons and other economic entities with taxable income (PAN card), demonetization of 500 and 1,000 rupee banknotes, prohibition of cash payments for more than 300,000 rupees (4,500 francs). Last but not least, India completed a historic reform of its indirect taxation with the introduction of the Goods



*Doris Leuthard and Narendra Modi, Prime Minister of India*



and Services Tax (GST) on 1 July 2017; this replaces a whole series of particularly complex and administratively cumbersome taxes (VAT, Cenvat, Octroi tax etc.). Barely five months later, a welcome decision was taken to reduce the initial maximum rate of 28% applicable in particular to all watch industry products to 18%. At the same time, the Indian Government specifically called upon stakeholders in the economy to pass this reduction on to the final consumers.

## Iran

The July 2015 agreement on the Iranian nuclear sector and the lifting of the principal economic and financial sanctions in early 2016 brought optimism over an upturn in business with Iran. Two years later we are obliged to point out that the results have not lived up to expectations. Swiss watch exports to Iran admittedly progressed in 2016 and 2017, but certainly not to the extent that might reasonably have been expected.

The FH naturally welcomes the ratification in March 2017 of the trade agreement with Iran but, as was the case two years ago, the main difficulty still resides in payments traffic between Switzerland and Iran. The extraterritorial application of US primary sanctions is creating a situation in which Swiss banks still decline to handle business either directly or remotely connected with Iran through fear of the penalties that the American authorities may impose.

Even the most routine transactions do not escape this difficulty. The banking system goes so far as to decline any transaction with persons or companies bearing an Iranian name or having an address in Iran or even a relationship of any kind with that country. The same applies to business transactions with Iranian nationals residing outside Iran even though their names do not appear on the lists of entities or persons specifically covered by the sanctions.

Despite the different dialogues and initiatives taken in the last two years, no significant advance has been made so far. And the hardening of the positions adopted by the new US administration on Iran is all the more prejudicial to any improvement in this area. A resolution of the problem resides first and foremost with the American OFAC (Office of Foreign Assets Control) which only recently suggested that any adjustment of the statutory bases in the United States going beyond the results of the nuclear agreement was unlikely. The FH regrets that prospect, but remains as vigilant as ever. Because the Swiss export industry, including the watch sector, is more than ever

in need of support from its authorities and a commitment on the part of the banking sector to find necessary solutions to this complex problem.

## Brexit or not Brexit?

With Brexit in mind, the FH took part at the beginning of the year in an economic mission to London led by economiesuisse. Talks with various representatives of the government and parliament and industrial and financial circles enabled a useful idea to be gained of British views on negotiations with the European Union (EU), but also and above all on future relations with third countries.

Switzerland is one of the foremost third countries and its “Mind the Gap” strategy seeks at the very least an equivalent substitute regime as soon as Brexit occurs on 29 March 2019 based on the free trade agreements and bilateral agreements I and II concluded with the EU. The objective is clearly that of avoiding any legal gap, even if only temporary. Ideally this new regime should go even further than a conventional free trade relationship (“status quo+”). Talks in London confirmed that a solution of this kind is also in the interest of the United Kingdom and that, from this point of view, the Swiss partner takes priority.

The FH supports this strategy because, like other exporting branches, the Swiss watch industry needs to benefit from uninterrupted free access to the UK market and from a clearly defined legal framework covering imports, distribution and sales. This legal certainty entails among other things the



continuation or further improvement of provisions concerning rules of origin, legislation and other directives relating to selective and exclusive distribution, European and international standards, protection of consumers and of the environment.

Whatever the final scenario may be – today the prospect of a potential second referendum in the UK has been raised again – our country must prepare for a “hard Brexit” of the kind announced by Theresa May, the UK Prime Minister, in order to guarantee the permanence of all its interests in that country.

## Philippines

The Third Joint Economic Commission between Switzerland and the Philippines met in late November. On this occasion, the FH reiterated its concerns over the visibility of counterfeit watches, especially on street markets in Manilla. This remains a serious problem despite the frequent organisation of raids on stalls and the shopping centres concerned. More often than not, warnings are disregarded and criminal proceedings complicated by the slowness and overload of the law courts to such an extent that most cases end with an agreement between the parties without any real sanctions. The FH therefore made further representations in favour of support and a greater commitment on the part of the Philippine authorities to follow up criminal proceedings.

The free trade agreement with EFTA was signed in April 2016 and made provision in particular for the abolition of customs duties on all watch industry products as soon as the agreement entered into force; that now depends entirely upon ratification by the Philippines.

## Egypt

In November, the FH took the opportunity of the mission by Marie-Gabrielle Ineichen-Fleisch, Secretary of State for Economic Affairs, to call attention yet again to its disagreement with the compulsory registration of exporting companies and exported products as well as the mandatory presentation of an attestation of quality control of products imported onto the Egyptian market.

Several implementing decrees were adopted to that end in late 2015 and their entry into force in 2016 remained chaotic for a long time, confronting exporters with major administrative difficulties starting with the detention of certain consignments

by the customs authorities. With the best will in the world, many Swiss watch exporters have found it impossible to comply with these new provisions, especially because electronic registration is impossible.

Although the situation has on the whole returned to normal since then the FH nevertheless still received complaints from some of its members in the course of 2017. In substance these provisions remain very stringent and their cost is anything but negligible (certification, delays, excessive administrative burden). Above all the FH considers that they are incompatible with the aims of the free trade agreement concluded between EFTA and Egypt.

## Italy

The 2017 Italo-Swiss Economic Dialogue was held in Rome in June in the presence of representatives of the Italian Ministry for Economic Development. On this occasion, the FH began by asking the Seco (State Secretariat for Economic Affairs) delegates to convey its thanks to the Italian authorities for their commitment and cooperation in the fight against counterfeit Swiss watches.

Wishing to make this cooperation still more effective, it hoped to achieve a better exchange of information especially in the context of the detention of small batches of counterfeit products. In particular, determination of the identity of the persons involved is also very useful in the procedures opened by the owners of rights, bearing in mind also the fact that any such exchange of data is compliant with European legislation and customs legislation.



# Information and public relations



## 2017 General Meeting

The FH remains a privileged discussion partner for the media which regularly ask questions about industry trends or on specific issues concerning watchmaking. The review of the Swiss made rules and the economic situation of the watch industry were the subject of many interviews and articles. The FH itself regularly publishes press releases.

Beyond regular contacts with the watch industry press and many requests put to it at exhibitions dedicated to the industry, especially the SIHH in January and Baselworld in March, the FH Chairman gave a number of interviews to Swiss and international press organs. He also made several presentations, in particular to the Embassy of Switzerland in Riyadh attended by Swiss and Saudi business circles, the Swiss Surface Treatment Society SST on the occasion of UBS SME Impulse in Bienne, the Swiss Association for Quality and the Federal Institute of Higher Professional Training Studies.

## General Meeting

The 2017 General Meeting was held in Geneva on 29 June in the presence of delegates and members of the FH, together with numerous guests. The latter included Councillor of State Pierre Maudet, Head of the Department of Security and Economic Affairs for the Canton of Geneva, Neuchâtel States Councillor Didier Berberat, joint leader of the Parliamentary Group on the Watch Industry, Neuchâtel National Councillor Philippe Bauer, Jacques Moret, Director- General of the City of Geneva, Blaise Matthey, Director of the Federation of French-Speaking Businesses in Geneva, Jacques Jeannerat, Director of the Chamber of Commerce, Industry and Services of Geneva and the day's lecturer, Tibère Adler, Director of Avenir Suisse responsible for the French-speaking part of the country in Geneva.

## Berner dictionary

The FH continued its work on the update of the Illustrated Professional Dictionary of Horology, generally referred to as the “Berner Dictionary”. The objective is to review and update thousands of definitions and drawings, while also incorporating new words and descriptions. The project is being led by the FH with the help of a group of permanent experts whose members are as follows: Bernard Muller and Marlyse Schmid, designers and authors of books about watchmaking, François Klopfenstein (ETA), the late Marco Richon, former curator of the Omega Museum, Antoine Simonin, former director of WOSTEP and publisher of books about watchmaking and Pierre-Alain Vuille, a former ETA staff member.



*The new application of the Illustrated Professional Dictionary of Horology*

After the dictionary had been put online in 2009 and with advances of the Internet, the next phase was logically to permit its consultation from the smartphone which everyone carries around in their pockets nowadays in order to meet

the needs of mobile users. A customised application was therefore developed for Android and iOS systems. All of the 5,000 terms and their definitions with the thousand images which illustrate them and the translations (French, English, German, Spanish) are now available free of charge through this application.

## Watch industry statistics

The watch industry statistics published each month by the FH are the main official and dependable source of numerical data on the situation of the industry. As the country’s third largest export industry, the trend of the watch branch is highlighted with a breakdown according to several different analysis criteria. These data meet with great interest and answer the questions put by many journalists, students, financial analysts and aficionados of Swiss watches. The processing, analysis and circulation of this precious information implements a mandate of the Federal Customs Administration which draws up raw statistics on the basis of export declarations.

The global watch industry market and export statistics are observed in detail in the economic magazine Tendances (Trends). This quarterly document provides a broader analysis of the context in which the most influential factors affecting the trend of business and changes in the global environment must be seen. In 2017, Tendances looked for instance at connected watches, tourism, e-commerce, luxury products, Brexit, the duty free sector, the parallel market and the role of the Millennials. The new formula developed in 2016 has been very well received.

## FH Review

Still published in 1,600 copies twenty times a year, the FH Review continued to keep members of the Federation and numerous subscribers abreast of Swiss watch industry news around the world. This publication always meets with great interest on the part of readers and advertisers.

## Internet site

The FH Internet site remains an important reference for everyone who takes an interest in the Swiss watch industry. In 2017, several million pages were consulted, in particular those dedicated to statistics, the Illustrated Professional Dictionary



of Horology (Berner Dictionary) and news items reflecting the latest developments at the FH, watch companies and new products launched on the market.



*The Swiss Exhibitors Committee stand at Baselworld*

## Presence at Baselworld

Held from 23 to 30 March, the hundredth edition of the World Watch and Jewellery Exhibition was attended by 220 Swiss brands out of a total of 1,300 exhibitors. A massive audience attended Baselworld which counted more than 106,000 buyers drawn from 100 countries during the eight days of the show.

Thanks to active cooperation with the Committee of Swiss Exhibitors, the FH was present to serve as an interface with professionals and respond to questions put by the media and public. Located in the press centre, the Swiss Exhibitors Committee stand provided a privileged platform for meetings and dialogue.

## *watch.swiss*

As part of its mission to promote the branch, the FH has had a new media at its disposal for just over one year: *watch.swiss*. This travelling exhibition provides a tour of the Swiss watch industry focussing on seven key topics. Throughout the journey, the visitor is free to find his way through big interactive

modules, immerse himself in a chosen theme or learn by discovering the world which is opened up to him. *watch.swiss* also lays emphasis on the fundamental link between watches and Switzerland as a country. And for persons wishing to deepen their knowledge, the exhibition's Internet site enables the various topics to be examined in more detail ([www.watch.swiss](http://www.watch.swiss)).

From 7 to 13 August, *watch.swiss* was on show in the main hall of Paragon, one of Singapore's main shopping centres alongside a selection of watches presented by a local retailer. Paragon attracts a large and varied range of shoppers every day by proposing both prestigious labels and boutiques of interest to the general public. The vocation of *watch.swiss*, which is to meet up with consumers, took on its full dimension here.

In the autumn *watch.swiss* moved to Eastern Europe. From 11 to 17 September the exhibition was set up in Poland at Manufaktura in association with a local boutique. This venue chosen for its capacity to generate large visitor numbers and give maximum visibility for the exhibition is a commercial, cultural, services and leisure centre located in the centre of Łódź, the country's third biggest town not far from Warsaw. This is the largest complex of its type in Poland and one of the biggest in Europe. It is also well known as a magnificent example of reconversion of 19<sup>th</sup> century industrial architecture.



*watch.swiss in Poland*

Then, from 30 October to 5 November, watch.swiss paid a visit to the Czech Republic. Two local retailers responded to the FH invitation and presented, alongside the exhibition, a selection of watches bringing together some ten different Swiss brands. The chosen venue, Centrum Chodov, is the country's biggest shopping centre. Established on the outskirts of Prague, its location and extensive product offering make it highly attractive.

Reaching out to a local clientele was the main aim of these two visits. It was achieved both in Poland and in the Czech Republic. Despite its size, Łódź is in fact a city that attracts few tourists. In other words most of the visitors were Polish. The same held good for the Centrum Chodov which is remote from Prague city centre and the areas frequented by tourists.



*watch.swiss in the Czech Republic*



# The fight against counterfeiting

## Scope of activities

In 2017, the FH pursued many activities of various kinds seeking to prevent counterfeiting. They were performed on behalf of the members of the Anti-counterfeiting Grouping (AG) and the Internet Unit, but we are only reporting the salient points here because a separate detailed report on the subject is available to interested readers on request.

## Geographical indications

The FH pursued many actions to defend Swiss geographical indications in 2017. The first important fact concerns the “Swiss” certification mark registered in Hong Kong by the FH. In March the High Court of Hong Kong confirmed the validity of that certification mark by setting aside the “SWISSBERNARD” mark in response to an appeal by the FH. This ruling is all the more important as it cancelled a decision taken by the Hong Kong Registrar of Trademarks which had rejected the opposition by the FH on first instance and registered this mark.

## Impounding operations on the markets

In the course of 2017, the FH Services (in Bienne and Hong Kong) dealt with over 2,500 cases across the world, ranging from the seizure of small postal packages to large scale operations in assembly workshops or on storage premises. In all, these different cases involved the confiscation of some 1,920,000 counterfeit watches. Details of a few major operations conducted during the year are given below.



*Seizure in Guangzhou, China*

## Brazil

In September 2017, a large scale operation took place in the “25 de Marzo” District of São Paulo, in Brazil. Well known as an abundant source of counterfeit products of all kinds, this zone had already been the scene of several major actions in 2011. A few years later the bad habits had unfortunately made a comeback. The Brazilian authorities wanted in this way to deal a new blow to local counterfeiters through a clear demonstration that they will not allow this traffic to remain unpunished.

Known as “Fall of Babel”, this operation lasted for just under three weeks during which the 270 agents involved completely emptied two shopping centres in the zone: the Shopping 25 de Marzo and the Galeria Florencio.

All in all, inspection of the 869 stands enabled 880 tonnes of counterfeit goods to be seized, including over 70,000 Swiss watches. As of now, the goods have been placed in storage for the time required to take an inventory and for the destruction procedure to go ahead. The shopping centres have also been closed down until further notice.

## Czech Republic

The impounding of counterfeit goods in the Czech Republic is generally a matter for the customs authorities, but this year the police organized a major operation. Following an investigation of a Vietnamese citizen who was suspected of being active in the production of narcotics, goods were impounded in his laboratory and apartment. The goods that were seized also included 5,000 counterfeit watches (among them some 500 Swiss timepieces). This case illustrates once again the links that exist between counterfeiting and organised crime.

## Italy

In May 2017, agents of the Guardia di Finanza of the Pisa region in Tuscany put into effect a major action known as “Just in Time”. This enabled a large criminal network operating between China and Italy to be dismantled. Counterfeit watches and large quantities of components were being imported from China and then assembled and sold in tourist centres of Tuscany. Investigations also enabled the clandestine laboratory linked to this network to be dismantled. Over 120,000 counterfeit watches or components, just under 90,000 labels and various machines used to assemble counterfeit products were



### *Seizure in São Paulo, Brazil*

seized. According to estimates made by the authorities, in one single calendar year this clandestine association placed some 32,000 counterfeit watches on the market for a total profit in excess of 1,130,000 euros.

### **Baselworld**

As is done every year, several FH staff members patrolled the Baselworld exhibition halls on the lookout for unlawful uses of the Swiss made designation. As part of this surveillance action when any doubt arises as to the true origin of the products on display, the exhibitor is asked to provide further information. If the unlawful use of the Swiss indication is confirmed, the items concerned must be removed from the display cabinets.

Few offences were detected during the 2017 exercise. All in all, the FH intervened on five stands which were exhibiting a few watches that either featured unauthorised markings (Swiss made or Swiss) or were non-compliant (Swiss Movt). It should also be noted that the Hong Kong Trade Development Council, which manages exhibitors coming from Hong Kong,



### *Covered display cabinets in Baselworld*

had already performed a first inspection when the exhibition opened and asked some of the exhibitors whose products clearly failed to respect the legal conditions, to cover up their display cabinets completely.

### **Hong Kong Watch and Clock Fair**

In 2007, the organisers of the Hong Kong Watch and Clock Fair made a historic breakthrough in respect of intellectual property. The introduction of an arbitration procedure at the biggest watch industry event after Baselworld was certainly a minor “cultural revolution” in this part of the world which had up to then paid little attention to trademark or design law. Taking up this favourable opportunity, the FH then reacted rapidly by organising a surveillance action on behalf of the member companies of the Anti-counterfeiting Grouping. The FH Centre in Hong Kong took charge of the logistics of this mission, the administrative and paralegal aspects being managed directly from Bienne. Monitoring of the Hong Kong show has proved effective now for ten years. To date, no less than 426 complaints have been filed by the FH teams.

The tenth session was held on 5 to 9 September 2017, on the occasion of the 36<sup>th</sup> edition of the watch industry event. According to official figures, it attracted more than 820 exhibitors drawn from 24 different countries. Exhibitors from continental China remained by far the most numerous. In the case of the international brands, some 150 exhibitors including nine Swiss companies are assigned to a separate space known as the “TE Show”.





*Hong Kong Watch and Clock Fair*

A review of the 2017 edition shows the following results (figures for 2016 in brackets): 27 complaints filed (47); 17 breaches confirmed (23); 8 breaches rejected (24) and 2 complaints invalidated (0).

At the end of the 2016 edition, a new practice for the treatment of complaints by the appointed lawyers had been described. The 2017 results confirm the fact that the assessment criteria have definitely been tightened up.

In addition, formalities for the registration of complaints were rendered more complex last year with the new obligation to supply in every case a photo of the incriminated products and their precise location in the display cabinet. This additional constraint required the deployment of heavier supporting logistics. Under these conditions that were more complicated than before, the results naturally point to a downward trend. On the other hand, the rate of acknowledgement of breaches is relatively better than in previous years. Above all, cases rejected because the litigious articles could not be found no longer apply. The fact that photographs have been taken in fact makes it hard to pretend that the litigious pieces do not exist.

Another purpose of surveillance is to detect any unlawful use of the Swiss indication of origin. For the fifth time, the FH teams invoked the “Swiss” certification mark against an exhibitor who was presenting a collection which made fallacious reference to Switzerland with the word “SWISS BRAND” figuring on the dial of watches manufactured in China. Once again, the certification mark turned out to be a particularly useful weapon in the pursuit of this specific fight.

## Awareness creation and training of the authorities

Creation of awareness and training of the authorities is a major feature of the FH strategy for the prevention of counterfeiting. FH staff members travelled in particular to Thessalonica, Paris, Manchester and Brussels to take part in training seminars for the authorities. A conference on the prevention of counterfeiting was also organised at the Palace of Justice in Naples in June. An audience of a hundred or so persons had gathered here to listen to interventions by the public prosecutor, the Guardia di Finanza, magistrates and the FH. The speakers who were present discussed various aspects of the fight against counterfeiting and the more general problem of action to prevent misuse of the Internet, to say nothing of technical aspects such as ways of identifying pieces.

In 2017, the FH also welcomed some fifteen Swiss diplomats to its headquarters; it wanted to explain the various activities pursued in the fight against counterfeiting to them and also to make them better aware of this problem. The embassies and consulates which represent Switzerland can provide precious help in this combat. The example of Mexico proves that to be the case; here, the Swiss Embassy intervened with the



*FH expert explaining the problem of counterfeit watches*

local authorities to defend the cause of Swiss watchmaking, going so far as to permit the signing in 2016 of an agreement amending the procedure for the identification of watches when they are impounded.

### Making the public more aware

As usual, the Manufacturers' Union launched an awareness campaign in the summer of 2017 with support from the FH. The programme included the distribution of flyers and goodies at tourist centres in the South of France (Marseille, Cassis, Nice, Cannes etc.) and an online action which continued throughout the year. A partnership was also concluded with Google, enabling the visibility of the campaign to be increased on the Internet.

Thousands of persons were made aware in this way of the problems of counterfeiting, the risks to consumers and the damage caused to the economy and also to business innovation.

### Cooperation with the Anti-Counterfeiting Group

The Chinese "One Belt One Road" initiative, the new silk route, aims to develop the rail network in order to export products faster than by the maritime transport mode while reducing costs as compared to air freight. Counterfeiters might benefit from a project of this kind. It is therefore essential to make sure that the goods concerned do not escape any kind of control when they arrive on the territory of the European Union. The FH is following this case through its participation in the activities of the Anti-Counterfeiting Group, the British association for the prevention of counterfeiting. This entity is in fact particularly active because Great Britain is the final destination of a high proportion of the products transported in this way.

### Actions on the Internet

2017 confirmed the strengthening of the social networks as the principal suppliers of counterfeit products, in particular Facebook, Instagram, Vk.com etc. The Marketplace sales platform of Facebook, which can now be accessed in every country including Switzerland, has rapidly become a privileged sales channel offering users the possibility of doing their shopping on the web without leaving the social network. This technique allows Facebook to retain its users and so keep control of their data and behaviour patterns.



#### Awareness campaign

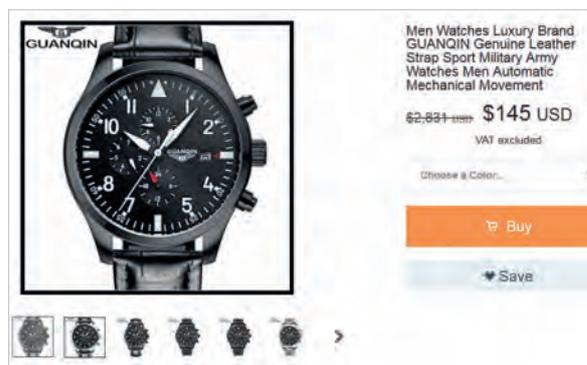
Even if Facebook did rapidly make suitable tools available for preventive notification to the right holders in order to report unlawful advertising, we still find ourselves obliged to point out that all the work of awareness creation is having to be repeated once again, in particular proactive filtering of advertisements which fail to conceal the counterfeit character of the products on sale. We are left with the impression that we have seen it all before: this work had already been done nearly ten years ago for the historical sales platforms and now has to be repeated again from square one for the newcomers.

Instagram is another prominent offender and accounted for the largest volume of alerts received via the social network surveillance tool used by the FH Internet Unit. The fight against targeted advertising on these platforms continued and a number of improvements were made. This particularly insidious type of selling continues to mislead naive consumers.

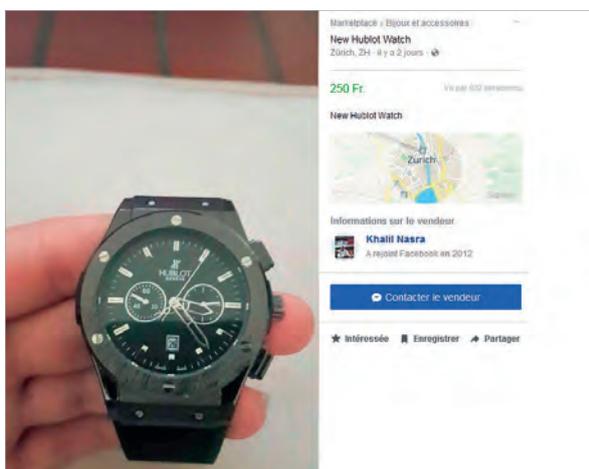
"Follow the money" initiatives are another important way of fighting counterfeit products; they enable the counterfeiters' financial assets to be seized, while financial intermediaries

are encouraged to decline to offer their services to organised crime. In 2017, the FH seized in this way the assets of some fifty vendors of counterfeit products active on the WISH sales app for an amount which fell just short of 400,000 dollars. This demonstrates the importance of the traffic and the sums involved, especially if these figures are extrapolated onto a larger scale.

The offer is now clearly directed towards “lookalike” products, namely copies of designs and models against which it is harder to take effective measures. The trademark names no longer appear on the dial, but the product design is reminiscent of well-known pieces, so leaving the case of unfair competition beyond any possible doubt.



Advertisement on WISH



Advertisement on Facebook

## Technical analyses

In the year under review, the FH watchmakers made a technical analysis of 397 samples, i.e. 159 pieces fewer than in 2016 (-28%). The outcome of these analyses was set down in 355 reports on origin, i.e. 19 fewer than one year previously (-5%). The pieces that were listed made unlawful use of 38 different marks (39 in 2016). The samples examined in 2017 were seized or acquired in 14 countries (as had been the case in 2016). The watches and reports were forwarded to the right holders and to the entities which lay at the origin of the impounding actions. In parallel, the anti-counterfeiting service of the FH processed 922 requests for counterfeiting to be certified (-34%).

The reduction in the volume of activities linked to technical investigations which began in 2016 continued in 2017 under the combined effect of two factors. The first concerns the change of paradigm in the treatment of customs seizures, followed by the widespread introduction of simplified verification procedures, the principal repercussion being a transfer of competences whose effects began to be measured for the first time last year. For very many years, traffic in counterfeit watches had been regulated by the Federal Precious Metals Assay Office (CMP), supported by an extensive legal basis in virtue of which the various assay offices spread across Swiss territory are authorised to impound any product if counterfeiting is suspected to exist. In addition, the law allows samples to be kept for analysis purposes for a period of three months.

The sworn testers, qualified personnel working under oath, were therefore the main source of counterfeit watches submitted to the FH, with more than 1,000 samples presented for analysis every year. Unfortunately, the General Management of the Customs Administration, which is the CMP's supervisory authority, tightened up the specifications governing its activities in 2017 to focus in future on its central purpose, namely the certification of precious metals and the supervision of the market in precious metal alloys to the exclusion of any other task. This therefore put an end to services linked to the prevention of counterfeiting or protection of the Swiss made designation. These activities were transferred to the services of the Customs Administration that are responsible for the clearance of goods through customs. This transfer was accompanied by a change of legal basis. With the transition from an old law, which allowed flexible application, to a modern but far narrower law, the sworn testers working under oath lost this competence and have been replaced by

uniformed customs officers. The whole procedure has therefore been changed in the sense that litigious goods can now be held for no more than ten days, making it impossible to gain access to samples in order to perform the usual analyses. Counterfeit products are identified superficially and rapidly on the basis of photographs, with all that this implies in terms of the loss of information. What is more, this method of recognition quickly runs up against its limits when dealing with counterfeit products of superior quality. The best of them thus pass the tests without any obstacle; that is a damaging outcome because it is those very pieces which cause the greatest prejudice. Last but not least, the testers working under oath previously ensured compliance with a single legal basis. The uniformed customs officers must apply dozens of laws with a carefully designated order of priority. The law on the protection of marks which applies to counterfeit watches ranks only in fifth or sixth position and is clearly not a priority.

The other factor to be taken into account in the curtailment of the FH's technical activities is more down to earth and unfortunately one that is fashionable nowadays. It is called "austerity". As in many other fields and in many other countries, the Federal Customs Administration is required to apply the so-called "stabilisation programme", a catalogue of steep cuts which is supposed to enable more to be done in the short term with fewer resources. The numbers of officials assigned to the verification and impounding of counterfeit watches have been reduced; this leads mechanically to a reduction in the number of pieces seized. In 2017, this programme resulted in a very significant reduction of inspections and seizures in commercial traffic (-75%).

This explains the steep decline in the volume of samples dealt with, a fact which obviously has consequences, the main one being that it is likely to damage in the longer run the ability of the FH watchmakers to understand and explain counterfeiting. Taking the wrong direction in the effort to track down counterfeit watches is a highly regrettable development.

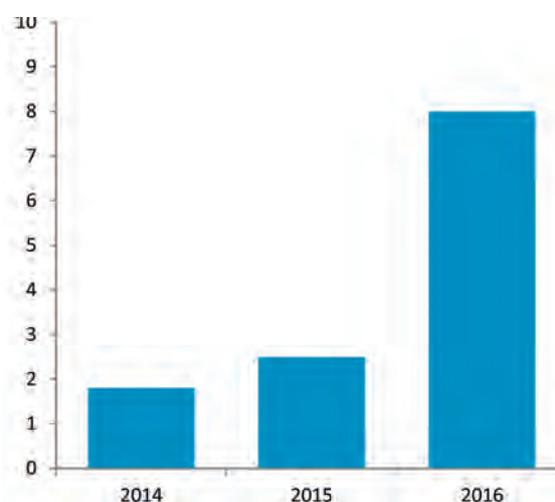
As far as their origins are concerned, the samples analysed in 2017 came for the most part from Asia, in the first instance directly from China or in transit via Hong Kong. For the purpose of transporting their products, the counterfeiters have no hesitation in exploiting competition between the different public and private postal services; this enables them to achieve much lower transport costs with an accompanying explosion in the number of packages carried.

As usual, a great majority of the samples consist of counterfeit copies of marks and/or models. The remainder represent

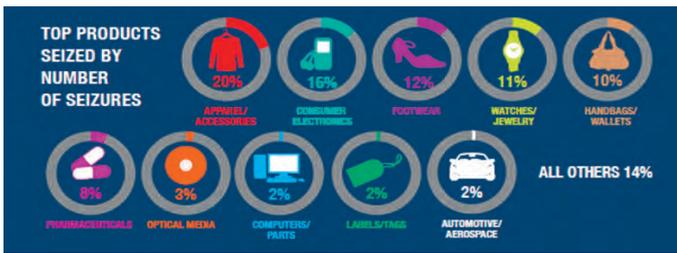
unlawful indications of origin, namely all the pieces which do not constitute either counterfeit marks or copies of models, but make use of a Swiss geographical indication ("SWISS MADE", "FABRIQUE EN SUISSE" or a derivative such as "GENEVE") in a misleading manner or one which is contrary to the regulatory provisions in force in Switzerland or in the destination country. In the year under review, the FH drew up 39 reports on this issue (60 in 2016) after making a detailed examination of 54 samples (99 in 2016) bearing 26 different mentions, for the most part creative marks associated with the word "Swiss".

Copies of marks or models are compounded by false technical indications, primarily the "CHRONOMETRE" label or "Poinçon de Genève" (Geneva hallmark) and false precious metal hallmarks. In recent years, the "CHRONOMETRE" label which now benefits from a firmly established degree of prestige was particularly popular with counterfeiters. In 2017, the FH recorded 97 cases which made unlawful use of this label or its derivatives on watches and on the accompanying commercial documentation (126 in 2016).

After processing in the database, all the information gathered in the course of the year enabled ten summary reports to be drawn up (11 in 2016) supplementing the individual reports on origin. Based on a corpus of at least 15 pieces, these reports provide a statistical panorama of counterfeiting by make and model, so introducing additional elements for further consideration which may be incorporated into the prevention strategy developed by the companies concerned.



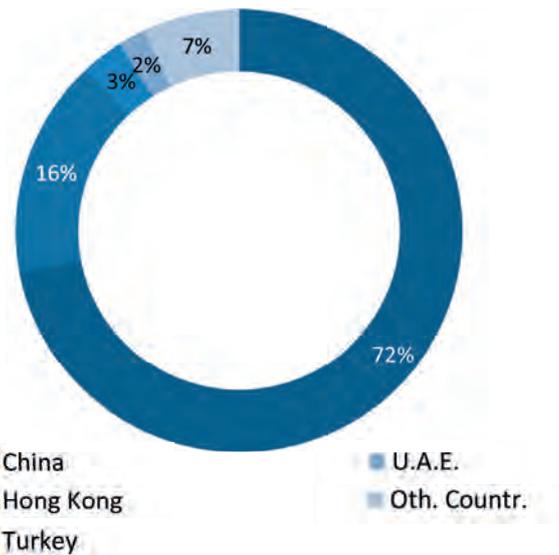
*Packages carried from China to Switzerland in millions  
(Source: Handelszeitung 2017)*



*Breakdown by type of products impounded in the United States (Source: Homeland Security 2017)*

In parallel, these summary reports enabled the risk analysis sheets intended for the Swiss and foreign customs authorities to be updated by documenting requests for intervention. These datasheets illustrate for each particular make the models that are thought to be “at risk” (statistically those that are the object of the most counterfeit copies) and their origin; material of this kind helps the customs officers to put in place more targeted and therefore more effective verifications.

For a long time now Swiss watchmakers have built a solid reputation based on the care devoted by them to mechanical watch movements. The technical aspect, reliability and accurate running receive special attention. But the aesthetic side is equally important and mechanical movements of Swiss manufacture are distinguished by a décor and finish that are immediately recognisable. As this characteristic is a strong selling point it is emphasized by nearly all the brands which now present their models with a transparent case-back. For the FH watchmakers, this high manufacturing quality enables the genuine article to be unambiguously distinguished in most cases from the counterfeit copy. That is why these specialists base their analyses as a matter of priority on an aesthetic examination of the movement.



*Origin of counterfeit watches seized at the European borders (Source: TAXUD 2017)*

In the year under review, the counterfeiters unfortunately integrated this parameter into their manufacturing activity. They did so in their own ingenious, effective and low cost way. The principle is very simple: taking the basic, raw and unfinished mechanical movement purchased in Japan or in China, a specially profile-turned and decorated plate is screwed onto the bridges on the case-back side to give the illusion of a luxury Swiss watch movement. Once the mechanism has been assembled and cased up, only a meticulous examination under a magnifying glass accompanied by good technical knowledge enables this clever trickery to be detected. In other words, when it comes to counterfeiting one must never judge by appearances.



*Chinese movement*



*Additional plate and rotor*



*Copy of a Swiss movement*

# Standardisation

With the help of its Standardisation Committee (SC), the FH coordinated and followed up several national (NIHS) and international (CEN and ISO) projects.

The main work of national Standardisation involved the drafting of a new standard *NIHS 06-10* for miniature threads (NIHS S 0.30 to 1.40), the production of a guide *NIHSg 98-01* to the interpretation of standard EN 1811 (nickel release), together with the finalization after many years of work of standard *NIHS 61-30 – Sapphire watch-glasses – Antireflective coatings*. In addition, on the basis of draft standard *ISO 8654 – Colours of gold alloys*, the definition of a new concept for the production of colour references for gold alloys was finalized and several dozen sample cases were sold last year. Work on the revision of standard *NIHS 91-30 - Definition of linear accelerations of wrist-watches when abrupt gesture and wear shocks are experienced* continued and the revised standard *NIHS 96-50 – Process to estimate the resistance of horological external parts to chemical and climatic agents* was validated by the SC and translated into English. In addition, a new draft standard was put in hand to cover quality control of small diamonds.

In 2017, thirteen NIHS standards were examined by a number of watch industry experts. Eight of them concerning watch cases were confirmed for five years, two others will be merged, while the last three relating to copper alloys were withdrawn.

The NIHS service at the FH has been asked by the Swiss Association for Standardisation (SNV) to provide the secretariat for the interdisciplinary committee *INB/NK 164 - Jewellery*, an institution which mirrors the corresponding committee at European (CEN) and international (ISO) level. Working in cooperation with the appointed experts, it is therefore responsible for acting on the votes initiated by these committees and then forwarding a position statement to the SNV representing the whole of the Swiss industry. Some forty votes were coordinated in this way last year. Work also began on the revision of standard EN 1811, mainly in order to redefine the reference disks to achieve greater reliability and also to improve Annex C.

At the level of international Standardisation, the main event of the year 2017 was the holding of the ISO/TC 114 – Horology International Congress in Hong Kong on 4 to 8 September. ISO draft texts are advancing steadily, involving the finalization of the revision of standard *ISO 6425 – Divers' watches* and the progress of draft standards *ISO 764 – Magnetic resistant watches*, *ISO 14368-4 – Mineral and sapphire watch-glasses – Part 4 Coating performance* and also *ISO 18684 – Timekeeping instruments – Watch external parts made of hard materials*

– *General requirements and test methods*. At this Congress, the decision was also taken to begin work on a new draft standard for radio-synchronized clocks and to set up a working group tasked with examining potential improvements to standard *ISO 22810 – Water-resistant watches*.

Last but not least, on the occasion of systematic reviews, standard *ISO 3157 - Radioluminescence for time measurement instruments - Specifications* was withdrawn, while standards *ISO 13074 – Analogue quartz clocks – Fitting dimensions of movements to hands* and *ISO 14856 Timekeeping instruments – Wristwatch cases – Fixing dimensions of non-springbar types* were confirmed for five years.



# Legal, economic and commercial services

Several services are available on the FH Extranet site. They are reserved for its members, giving them access to privileged information and useful working tools. Topical news items linked to the FH activities or matters of direct concern to members are updated regularly.

## Legal services

2016 was already an exceptional year in terms of information and advice given about Swissness, but 2017 went on to beat every record. The FH answered hundreds of messages received from its members and others involved in the watch industry. It also organised dozens of meetings to provide useful information about the new statutory provisions which took effect on 1 January 2017 and about their application in practice. These questions concerned in particular the way in which the 60% cost price is taken into account and calculated. This is one of the criteria that must be respected for the watch to be entitled to display the iconic Swiss made label (for further information, see also the section entitled Salient Facts, page 8).

Another matter proved to be of particular concern to the FH lawyers, namely the subject of data protection. In May 2016, the European Union adopted a new Regulation 2016/679 on data protection. This has been in force since 25 May 2017 and concerns most Swiss enterprises to the extent that they process numerous items of data about European nationals (clients, employees etc.). Businesses that fall under the scope of application of the new legislation must in future make sure to obtain the explicit consent of the natural person concerned by such data processing. Moreover, security measures will have to be put in place by default to guarantee an adequate level of protection as soon as the data are created. The system of penalties is also stringent since the fines may be as high as 4% of the global turnover of the company concerned or 20 million euros. Moreover, the burden of proof has been reversed and it is now the data processing manager who must prove that he has respected his obligations. Recognising the fact that the more stringent European legislation exerts a degree of pressure on Switzerland, that country has begun to review its own legislation; the FH is of course keeping a close watch on developments in this area.

The FH Legal Commission also examined a draft agreement on administrative assistance in customs matters between Switzerland and the United States. In 2013, Swiss economic interests – including the FH – had already opposed a first draft agreement on the grounds that several corrections would have

to be made before it could become acceptable to Swiss companies. In 2017, following further negotiations between the two States, the Swiss authorities made another attempt and put forward a new draft text; they are aware that the signing by the United States of an agreement on mutual recognition of security measures in the customs field (status of AEO, Authorised Economic Operator) is conditional upon the conclusion of an agreement on administrative assistance in customs matters. However, it transpired that the points criticised on the occasion of the consultation in 2013 had not been fully corrected. By way of example, the FH takes the view that the agreement fails to contain a clear exclusion relating to the protection of business secrecy and privacy and the United States declined to make explicit reference to the exclusion of data acquired by unlawful means. Consequently, together with *economiesuisse* and most other Swiss industrial associations, the FH still opposes this agreement. The decision now rests with the Federal Council.

Turning to dangerous substances, apart from the matters discussed in the section on Salient Facts, the FH and its legislative monitoring commission also examined the new European legislation on mineral ores from conflict zones which might potentially have an impact on businesses in the Swiss watch industry. However, the present version of the text concerns foundries and refineries in the first instance. They would need to make sure that the aims of the legislation, namely the prohibition of exports to the EU and the use of minerals and metals originating from conflict zones, are respected.

## Economic services

Members of the association have gained access to extensive statistical and economic information by visiting the FH Extranet. They have been able to consult the full database of Swiss watch industry export statistics, quarterly analyses of the trend of the industry and the magazine *Tendances* (Trends) as well as information about exports by the other main players at global level.

# Relations with the authorities and economic circles

## Parliamentary group on the horological industry

The FH Chairman had many contacts with members of the Federal parliaments; in particular, he organized a visit for them to Baselworld on 29 March.

## Watchmaking associations

As usual the watchmaking associations met in Baselworld at the invitation of the FH for informal discussions on topical matters. This was the 19<sup>th</sup> such meeting which brought together delegations from the following countries: Germany, China, France, Hong Kong, Italy, Japan, Russia and Switzerland.

Discussions focussed first of all on the trend of exports and business in 2016. On the whole, the delegations announced downturns in watch industry exports from their respective countries. The outlook for 2017 remained uncertain overall, although all these associations did expect the situation to stabilise.

The FH went on to present the main innovations following the revision of the ordinance governing use of the “Swiss” designation for watches. They concern the definition of the Swiss watch and movement which introduces two new criteria to be respected, namely the requirement for technical development to take place in Switzerland and the introduction of the minimum rate of 60% of Swiss value. Discussions focused on these

two points and also on the method enabling the Swiss share of production costs to be calculated, as well as the possibility of excluding certain materials. Some comments were also made on transitional measures.

Following a presentation by the Chinese delegation, exchanges focused on the subject of connected watches. In general, participants took the view that traditional timepieces and connected watches could coexist and develop in parallel. The Chinese representatives called particular attention to the trend towards the introduction of simple and targeted electronic functions in conventional watches in the entry level price range.

## economiesuisse

The FH is an active member of economiesuisse. It is represented on the following bodies: General Meeting (Jean-Daniel Pasche, FH), Committee (Hanspeter Rentsch, Swatch Group, replaced by Thierry Kenel, Swatch Group, with effect from 01.09.2017, Me Theda Koenig Horowicz, Rolex, and Cédric Bossert, Richemont), Executive Committee (Hanspeter Rentsch, Swatch Group, replaced by Thierry Kenel, Swatch Group, with effect from 01.09.2017), Board of Association Managers (Jean-Daniel Pasche, FH), WTO Working Group, Working Group on questions of origin and customs issues, Expert Group on intellectual property, Working Group on short-term economic issues, Expert Group on relations with the European Union, Competition Commission.



*Meeting of delegates from the watch industry associations at Baselworld*





*Annual meeting of delegates from the Standing Committee of the European Watch Industry (CPHE)*

### Standing Committee of the European watch industry

In the context of the festivities to mark the 250<sup>th</sup> anniversary of the horological and jewellery industries of the City of Pforzheim, the delegations from the Standing Committee of the European Watch Industry (CPHE) held their annual meeting on 12 May.

Under the chairmanship of Mario Peserico (Assorologi), representatives of BV Schmuck + Uhren, the French Chamber of the Horological Industry and Microtechnologies and the FH held an exchange of views about the situation of the world watch industry. Moving beyond the state of business, discussions also touched upon the latest transformations of the market on the supply side – connected watches, distribution channels – as well as changes in consumer habits and behaviour.

Turning to “Swiss made” in the watch industry, the Swiss delegation gave detailed information about the arrangements for the treatment of materials that are not available in sufficient quantities in Switzerland.

The delegates also examined the trend of European, Swiss and international regulatory provisions on chemical substances and protection of the environment with an immediate or less direct bearing on the watch industry. In particular, they agreed to forward to the European Chemical Agency a position statement of the CPHE in connection with the procedure for the review of Regulation 836/12 concerning the limitation of the lead content in watches, the aim being to retain the existing exemption for internal components that cannot be accessed by consumers.

# FH centres abroad

## FH Centre in Hong Kong

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### FH Centre in Hong Kong

Last year, the FH Centre in Hong Kong again pursued a series of activities for the benefit of the branch and of the association members. It gave concrete support to more than 45 delegates of FH members who were travelling to the region and to their Asian representatives. This regular assistance covers such varied domains as putting commercial or industrial partners in contact with each other in Hong Kong and also in China or elsewhere in the region, the search for qualified personnel, support for the creation of companies and accompanying personnel on their visits to markets. Several trips were organised during the year under review to China and South East Asia.

In parallel, the FH Centre held many contacts with the media, local professional organisations and the authorities and diplomatic representations of the entire region, in particular in Hong Kong, Beijing, Guangzhou and Bangkok.

The Hong Kong Centre also responded to many requests from FH members in the legal field or in the area of the prevention of counterfeiting throughout the zone. In particular, it provided its support and expertise for many makes in the context of their registration with the Chinese and Korean customs authorities. Similarly, it conducted several dozen investigations concerning local companies and registered one or more oppositions each month against the filing of brands in Class 14 (watch industry), both in Hong Kong and elsewhere in the region.

## FH Centre in Tokyo

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For its part, the FH Centre in Tokyo answered many requests from FH members and their local agents for commercial information, establishing business contacts and providing linguistic assistance among other things. It also acted upon requests from the media and maintained a privileged relationship with local professional organisations and the diplomatic representations, while also responding to specific requests received on a daily basis from Japanese consumers or companies.

In its routine activities, the FH Centre also had to provide follow-up in respect of repairs now that certain makes no longer provide maintenance facilities for old models. This is one of the reasons for which the FH Centre continues to manage the Taga Watch Centre after-sales service pool.





# The Swiss watch

# industry in 2017

The statistics processed, distributed and analysed by the FH are a key indicator for the sector. Prepared by the Federal Customs Administration on the basis of declarations made by firms, they constitute the main official, regular and reliable source for monitoring the development of watch exports. Through a wealth of detailed information concerning markets, products and price segments, the FH can pinpoint recent or historic trends in the Swiss watch industry.



# Watch industry statistics

## General situation

The Swiss watch industry reported a good fourth quarter for exports, so ending 2017 on a higher note. After two years of decline, the recovery followed by an upturn has gradually given way to an annual advance of a few points, better than the forecast flat results trend. At the same time, volumes contracted to a level that had not been seen for a long time.

The steady improvement was supported by more and more markets at the end of the year, so placing this upturn on a stronger foundation. The rise was in fact led by one country or more precisely one nationality in particular. Watch industry exports to China alone accounted for just under one-half of overall world growth. This share rises to two-thirds if we take account of Greater China. At the other extreme, the United States remained negative for the third year in a row.

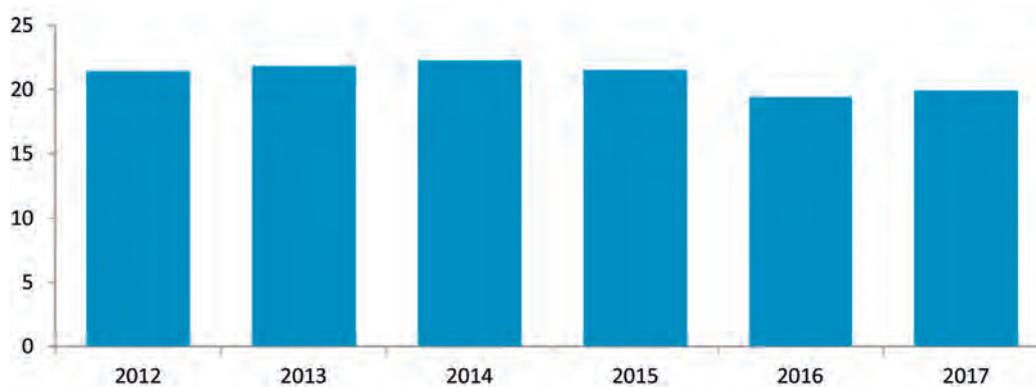
Alongside China, some other Far Eastern markets such as Hong Kong, Japan and South Korea played a major role in the fourth quarter recovery. Europe, which can no longer rely on strong growth in the United Kingdom, was supported by a number of markets, some of them small but still showing a distinct increase.

The main factors influencing the luxury products market in general and the watch industry in particular can be summarised in three key words: Chinese, *millennials* and digital. And those notions are often joined up to determine the underlying factors that shape the markets and to which the brands must respond.

Chinese clients play a key role and their numbers are large enough to strengthen this trend. Efforts made by the government to repatriate consumption are bearing fruit and the higher purchasing power is being dedicated more than ever before to purchases on the national territory. However, the Chinese continue to buy products abroad either directly or through the intermediary of *daigous* looking to grasp every opportunity afforded in particular by exchange rate fluctuations.

The Y generation is regularly confirming its status as a priority target for the brands. Although they consume differently, *millennials* purchase luxury personal articles and account for much of the growth in this sector. They are also interested in the market for second-hand products.

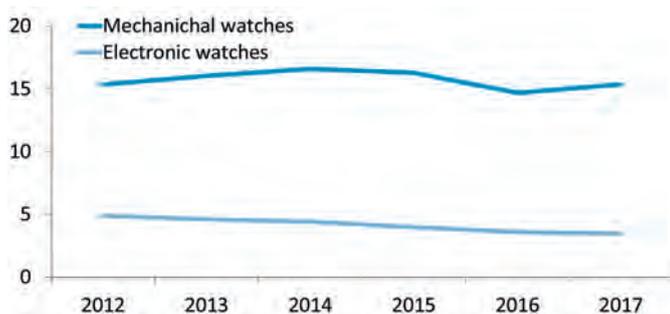
Developments in the digital field are many and extremely rapid. They respond in particular to the *millennials'* expectations. From information to sales via communication, client relations



Swiss watch exports (in billion francs)

and alternative modes of distribution, digital has a strong presence everywhere. Manufacturers have understood this and are proving quick to respond by following many different paths.

Once again, the important changes affecting demand, distribution, sales and communication deserve to be highlighted. The challenges are many and the difficulties certain. However, the Swiss watch industry has the qualities needed to face up to this challenge.



Exports of wristwatches (in billion francs)

## Swiss watch exports

The situation of Swiss watch industry exports improved steadily in the course of 2017. In the end, their value fell just short of the 20 billion francs mark. They posted a result of 19.9 billion, up 2.7% against 2016. The trend stabilized in the first half (+0.3%), while the second saw substantial growth (+4.9%).

## Swiss exports of watches

The value of wristwatch exports reached 18.8 billion francs, equivalent to 2.9% growth on 2016. For its part, the number of pieces continued to fall: 1.1 million fewer timepieces were exported (-4.3%) with a total of 24.3 million pieces. This was the lowest figure since the 2009 crisis.

## Watches by price range

Among the main price segments, watches priced at less than 200 francs (export price) declined by 8.5% in volume and 11.6% in value, while the other ranges achieved growth of between 3% and 5% in value terms.

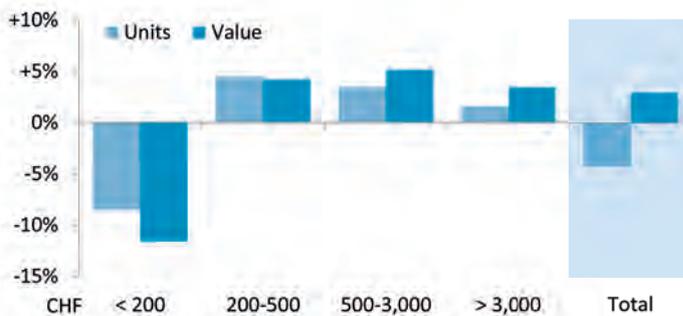
## Trend of the different materials

Value growth was supported primarily by products in steel (+5.2%); that material was used for more than one in two exported watches. Precious metal (+1.8%) and bi-metal (+1.4%) timepieces reported more modest growth. The decline in volumes was influenced mainly by the *Other materials* (-9.4%) and *Other metals* (-6.9%) categories.

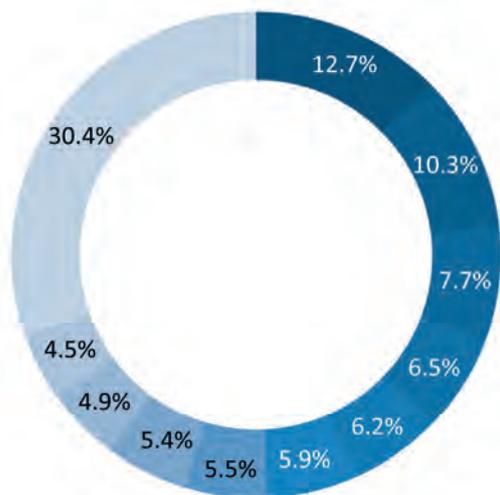
## Main markets

Asia (+4.8%), which generated one-half of all export sales, was the growth driver in 2017 thanks to a very good second half. Europe (+2.6%) saw more modest growth and slowed slightly, but remained an important player in the recovery. The United States failed to follow that same trend and depressed the figure for the whole American continent (-2.7%).

Most of the Far Eastern markets reported growth in 2017, while the Middle East was confronted with a more difficult situation. Recovering since the spring, Hong Kong (+6.0%) ended the year with strong growth. China (+18.8%) had been the first to recover and posted the strongest advance of all these countries. Despite a very good fourth quarter, Japan (-2.6%) ended on a moderate downturn. Singapore (+8.5%)



Exports by price segment (variation compared with 2016)



#### Main export markets in 2017

and South Korea (+5.6%) maintained a pleasing trajectory, while the Middle East, United Arab Emirates (-3.5%) and Saudi Arabia (-6.4%) were still negative, even though their underlining trend picked up slightly.

In Europe, the United Kingdom (+7.0%) saw growth slacken steeply in the second half, but was still the main source of growth over the year as a whole. The other main markets remained stable or fell slightly.

Finally, news from the United States (-4.4%) was less good; here, sales were down for the third year in a row. Despite favourable economic conditions, this market is proving slow to recover its taste for luxury products, at least through the traditional sales channels.

#### Other exported products

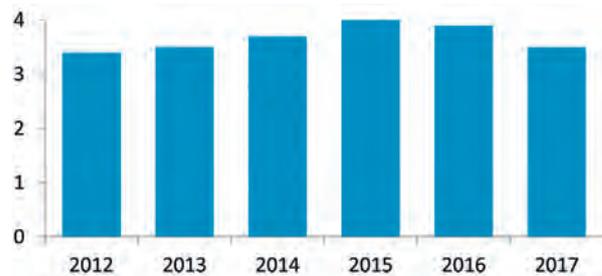
While wrist watches represented just under 95% of exports in value terms, other products were also sold abroad in 2017. They are divided up between finished products – such as clocks, large clocks, alarm clocks and pocket watches – and spare parts. Their overall value reached 1.1 billion francs, 1.5% down on 2016.

In detail, export sales of alarm clocks, clocks and large clocks fell considerably (-22.4%) for the second year in a row. Pocket watches (-44.6%) and alarm clocks (-21.7%) followed the same trend. In parallel, the number of exported movements remained relatively stable (+1.3%).

Exports of watch cases, straps and bracelets rose slightly, mainly because of processing traffic activity.

#### Watch imports

Swiss watch industry imports fell significantly in 2017. Their total value was 8.4% lower at 3.6 billion francs. Accounting for more than half this figure, wrist watches saw a more modest decline (-2.9%) while their volume fell sharply (-18.1%); this reflected imports into Switzerland of timepieces with a higher average price. Procurement of foreign components fell substantially in the order of -15% in value and also in the number of pieces, especially because of the more stringent definition of Swiss made and the reduction in volumes for the Swiss watch industry.

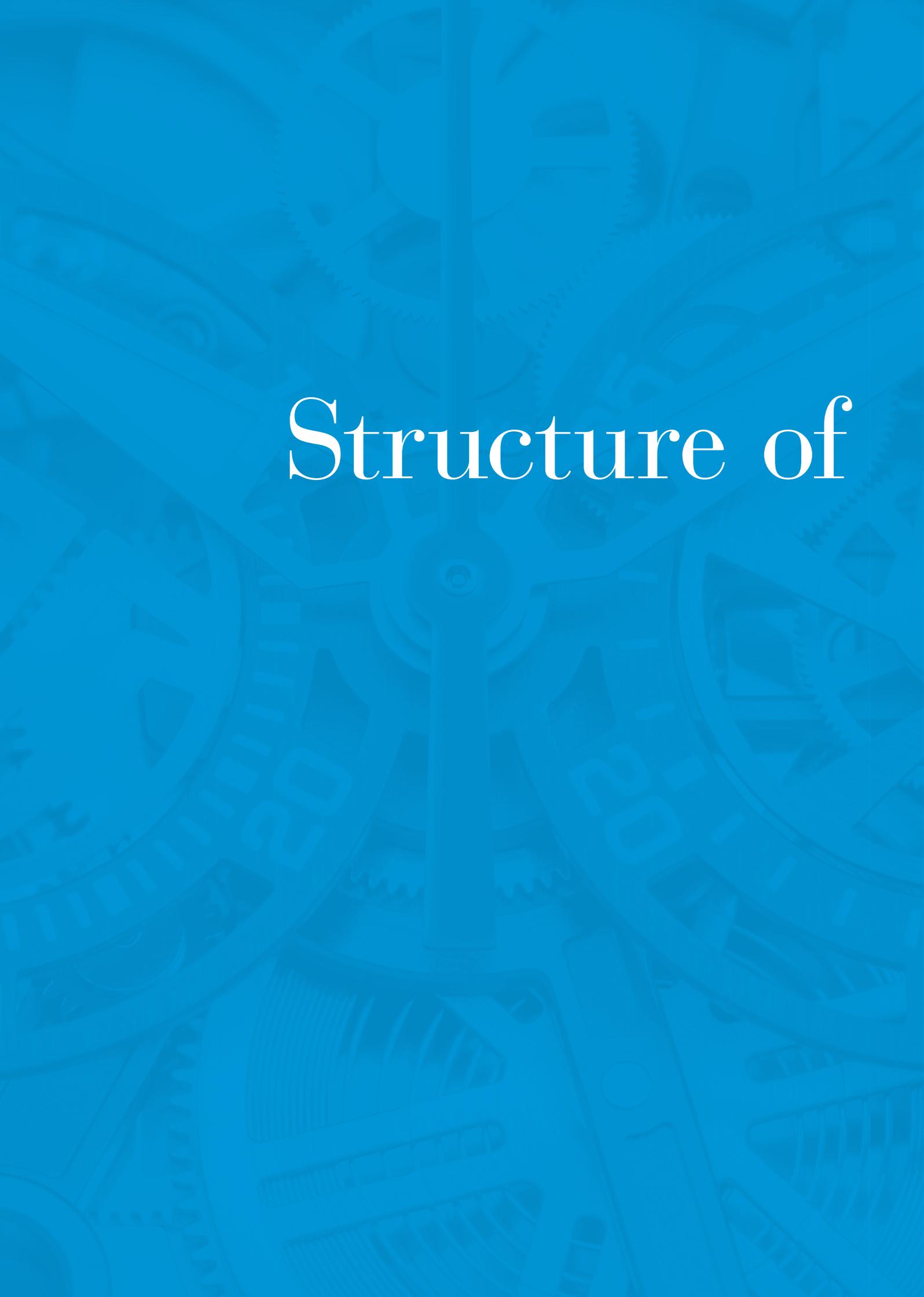


Swiss watch imports (in billion francs)



*Total value (in million francs)*





# Structure of

# the FH in 2017

An organisation representative of the Swiss watch industry as a whole, the FH has the following main tasks and objectives: helping to defend and develop the sector, establishing a permanent link between its members in order to promote their shared interests, representing the Swiss watch industry in its dealings with Swiss and international economic authorities and organisations, asserting the interests of its members during consultation procedures preparing the ground for national and foreign legislations, defending its members' interests in the legal arena, and fighting actively against infringements of intellectual property rights and acts of unfair competition.

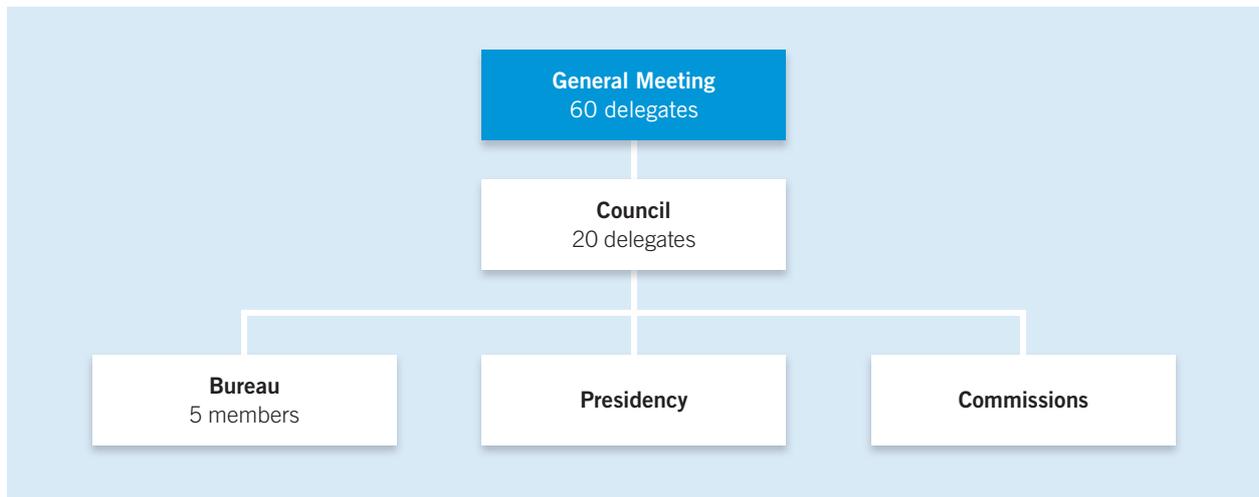




# The FH in 2017

On 31<sup>st</sup> December 2017, the FH included 467 companies, associations and institutions (approximately 90% of the Swiss watch industry manufacturers), including 235 firms in the finished products sector.

In terms of products, markets and business size, the Swiss watch industry is characterised by its very great diversity. The FH is therefore structured with a view to harmonising the different interests of its members through the balanced composition of its statutory organs.



# The General Meeting

Governing body of the association, the FH General Meeting comprises a maximum of 60 delegates totalling 60 votes. Lasting three years, terms of office are renewable.

The General Meeting takes decisions on issues submitted to it by the Board concerning the interests of the Swiss watch industry and the association's general policy; it elects mem-

bers to the Board, as well as the president of the association, and appoints the auditor; it discusses and approves the annual report and the accounts, as well as the scale of subscriptions.

On 31<sup>st</sup> December 2017, the FH General Meeting was composed of the following delegates (some with more than one vote):

**Grégory Affolter**

Pignons Affolter SA

**Paul-Serge Becherelli**

La Montre Hermès SA

**Alexander Bennouna**

Victorinox Swiss Army SA

**Olivier Bernheim**

Raymond Weil SA

**Denis Bolzli**

Aéro Watch SA

**Cédric Bossert**

Richemont International SA

**Patrick Brandelet**

Joray & Wyss SA

**Pascal Bratschi**

Manufacture des Montres Rolex SA

**Pierre-André Bühler**

ETA SA Manufacture horlogère suisse

**Dino D'Aprile**

Rubbattel & Weyermann SA

**Damien de Beaudéan**

Zenith, Branch of  
LVMH Swiss Manufacture SA

**Pascal Dubois**

Dubois Dépraz SA

**François Durafourg**

Pierhor SA

**Joris Engisch**

Jean Singer & Cie SA

**Christian Feuvrier**

Nivarox-FAR SA

**Jean-Paul Girardin**

Breitling SA

**Kurt Grünig**

Roventa-Henex SA

**David Guenin**

Gimmel Rouages SA

**Jean L. Guillod**

Guillod-Günther SA

**Philippe Gurtler**

Rolex SA

**Jean Hirt**

Estoppey-Addor SA

**Thierry Kenel**

The Swatch Group SA  
(FH Vice President)

**Alain Marietta**

Métalem SA

**Jacques Mata**

Luxury Goods International (L.G.I.) SA

**Pierre-André Meylan**

Piguet Frères SA

**Olivier Montavon**

Simon et Membrez SA

**Jean-Jacques Némitz**

Universo SA

**Corine Neuenschwander**

Neuenschwander SA

**Marianne Pandiscia**

Multitime Quartz SA

**Hannes Pantli**

IWC Schaffhausen,  
Branch of Richemont International SA

**Jean-Daniel Pasche**

FH President

**Flavio Pellegrini**

MGI Luxury Group SA

**Daniel Rochat**

Patek Philippe SA Genève

**Guy Sémon**

TAG Heuer, Branch of  
LVMH Swiss Manufactures SA

**Alain Sierro**

Fraporlux SA

**Manuela Surdez**

Goldec SA

**Alberto Tellan**

Manufacture des Montres Rolex SA

**François Thiébaud**

Tissot SA

**Claude Vuillemez**

Richemont International SA

**Roger Wermeille**

Le Castel Pendulerie Neuchâteloise

**Vladimiro Zennaro**

Bergeon SA





# The Board

Comprising twenty members elected for three years by the General Meeting, the FH Board, which meets four times a year, has the following main attributions: it defines the association's policy and monitors its application; it rules on the admission of members; it gives its opinion on issues to be submitted to the General Meeting and executes the latter's decisions; it elects the Bureau and appoints the vice-president(s); it appoints heads

of division and commission members; generally it assures a permanent link between members of the association, the authorities and third parties; it approves agreements concluded between the association and its members or third parties; etc.

On 31<sup>st</sup> December 2017 the Board was composed of the following members:

**Raynald Aeschlimann**

Omega SA

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**Alexander Bennouna**

Victorinox Swiss Army SA

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**Denis Bolzli**

Aéro Watch SA

---

**Cédric Bossert**

Richemont International SA

---

**Pierre-André Bühler**

ETA SA Manufacture horlogère suisse

---

**Christian Feuvrier**

Nivarox-FAR SA

---

**Jean-Paul Girardin**

Breitling SA

---

**Kurt Grünig**

Roventa-Henex SA

---

**Philippe Gurtler**

Rolex SA

---

**Thierry Kenel**

The Swatch Group SA

---

**Alain Marietta**

Métalem SA

---

**Olivier Montavon**

Simon et Membrez SA

---

**Hannes Pantli**

IWC Schaffhausen, Branch of Richemont International SA

---

**Pascal Queloz**

Oréade Manufacture de boîtes SA

---

**Daniel Rochat**

Patek Philippe SA Genève

---

**Guy Sémon**

TAG Heuer, Branch of LVMH Swiss Manufactures SA

---

**Alain Sierro**

Fraporlux Swiss SA

---

**Peter Steiger**

The Swatch Group SA

---

**Alberto Tellan**

Manufacture des montres Rolex SA

---

**Claude Vuillemez**

Richemont International SA

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# The Bureau and the Commissions

Comprising the president, the two vice-presidents and two members, the Bureau examines issues delegated to it by the Board and, exceptionally, questions of an urgent nature.

At the end of 2017, its composition was as follows:

**Jean-Daniel Pasche**

FH

**Carole Décosterd**

Rolex SA

**Thierry Kenel**

The Swatch Group SA

**Alain Marietta**

Métalem SA

**Jean-Paul Girardin**

Breitling SA

The president of the Financial Commission is regularly invited to attend the Bureau's meetings.

The FH also has six permanent Commissions responsible for examining issues of general interest dealt with by the association.

The Commissions and their presidents:

**Economic Commission**

Thierry Kenel

**Financial Commission**

Pascal Queloz

**Legislative monitoring Commission**

Olivier Blanc

**Legal Affairs Commission**

Jean-Daniel Pasche

**Standardisation Committee**

Silvano Freti

**Anticounterfeiting Group**

Jean-Daniel Pasche



# The Departments and the Services

On 31<sup>st</sup> December 2017, the FH employed 31 people full-time in Bienne (32 in 2016). Its organisation chart is as follows:



# The network of partners

The FH would be nothing in the globalised world without a solid network of partners, which can be found both within and outside the sector on all five continents. Non-exhaustive, the list below provides a summary of this network.

## Watchmaking Partners

- ♦ All India Federation of Horological Industries
- ♦ American Watch Association (AWA)
- ♦ Association des fabricants de décolletages et de taillages (AFDT)
- ♦ Association des fabricants suisses d'aiguilles de montres
- ♦ Association patronale de l'horlogerie et de la microtechnique (APHM)
- ♦ Association patronale des industries de l'Arc-horloger apiah
- ♦ Association pour l'assurance qualité des fabricants de bracelets cuir (AQC)
- ♦ Association suisse pour la recherche horlogère (ASRH)
- ♦ Associazione Ticinese Industria Orologiera-ATIO
- ♦ Assorologi (Italy)
- ♦ BV Schmuck + Uhren (Germany)
- ♦ Centre suisse d'électronique et de microtechnique (CSEM)
- ♦ Centredoc Centre suisse de recherche, d'analyse et de synthèse d'information
- ♦ Chambre française de l'horlogerie et des microtechniques (CFHM)
- ♦ China Horologe Association
- ♦ Comité des exposants suisses à Baselworld
- ♦ Comité permanent de l'horlogerie européenne (CPHE)
- ♦ Contrôle officiel suisse des chronomètres (COSC)
- ♦ Fédération de l'horlogerie (France)
- ♦ Fédération romande des consommateurs (FRC)
- ♦ Fondation de la Haute Horlogerie
- ♦ Fondation Qualité Fleurier
- ♦ Fondation WOSTEP
- ♦ Groupement des fabricants d'aiguilles de montres
- ♦ Hong Kong Watch Manufacturers Association
- ♦ Infosuisse Information horlogère et industrielle
- ♦ Japan Clock and Watch Association
- ♦ Japan Watch Importers' Association
- ♦ Joyex - Asociación Española de Fabricantes y/o Exportadores de Joyería, Platería y Relojería
- ♦ Korea Watch and Clock Industry Cooperative
- ♦ Société suisse de chronométrie (SSC)
- ♦ The Federation of Hong Kong Watch Trades & Industries Ltd
- ♦ Union des Fabricants d'Horlogerie de Genève, Vaud et Valais (UFGVV)
- ♦ Verband deutschschweizerischer Uhrenfabrikanten (VdU)

## Federal Administration

- ♦ Bureau central du contrôle des métaux précieux
- ♦ Commission des experts douaniers
- ♦ Direction générale des douanes (DGD)
- ♦ Swiss Federal Institute of Intellectual Property (IPI)
- ♦ Office fédéral de la santé publique (OFSP)
- ♦ Office fédéral de la sécurité alimentaire et des affaires vétérinaires (OSAV)
- ♦ Présence suisse
- ♦ State Secretariat for Economic Affairs SECO



## Chambers of commerce

- ◆ Alliance des chambres de commerce suisses
- ◆ Arab-Swiss Chamber of Commerce and Industry (CASCI)
- ◆ International Chamber of Commerce international (ICC)
- ◆ Swiss-Chinese Chamber of Commerce
- ◆ Swiss-Indian Chamber of Commerce
- ◆ Joint Chambers of Commerce (Russia, Ukraine, Kazakhstan, Belarus, Kyrgystan, Moldova)
- ◆ Swiss-Asian Chamber of Commerce
- ◆ Swiss Business Council Abu Dhabi
- ◆ Swiss Business Council Dubai
- ◆ Swiss Chamber of Commerce in Japan

## Economic organisations

- ◆ BUSINESSEUROPE
- ◆ economiesuisse
- ◆ Switzerland Global Enterprise

## Technical organisations

- ◆ Centre technique de l'industrie horlogère française (CETEHOR)
- ◆ Ecole d'ingénieurs ARC
- ◆ International Electrical Committee (IEC)
- ◆ Tokyo Watch Technicum

## Customs and police organisations

- ◆ Agenzia delle Dogane, Roma
- ◆ Commandement général de la Guardia Civil (Espagne)
- ◆ Commandement général de la Guardia di Finanza (Italie)
- ◆ Direction générale des douanes et Droits indirects de la République française
- ◆ Ecole des Sciences Criminelles, UNIL
- ◆ Europol
- ◆ Federal Bureau of Investigation (FBI)
- ◆ Interpol
- ◆ Organisation mondiale des douanes
- ◆ Police cantonale de Neuchâtel
- ◆ Police cantonale du Jura
- ◆ U.S. Customs and Border Protection

## Organisations involved in standardisation

- ◆ Association française de normalisation (AFNOR)
- ◆ Association suisse de normalisation (SNV)
- ◆ British Standards Institution (BSI)
- ◆ Bureau of Indian Standards (BIS)
- ◆ Comité européen de normalisation (CEN)
- ◆ Deutsches Institut für Normung (DIN)
- ◆ Federal Agency on Technical Regulating and Metrology (GOST R)
- ◆ International Organization for Standardization (ISO)
- ◆ Japanese Industrial Standards Committee (JISC)
- ◆ Korean Agency for Technology and Standards (KATS)
- ◆ Standardization Administration of China (SAC)

### Anticounterfeiting organisations

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- ♦ Anti-Counterfeiting Group (ACG)
- ♦ Brandowners Protection Group (Gulf Cooperation Council)
- ♦ Institut de police scientifique, Lausanne
- ♦ Istituto di Centromarca per la lotta alla contraffazione (Indicam)
- ♦ STOP PIRACY – Plate-forme suisse de lutte contre la contrefaçon et la piraterie
- ♦ The Anti-Counterfeiting Network (REACT)
- ♦ Union des fabricants

### Legal organisations

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- ♦ Association internationale pour la protection de la propriété intellectuelle (AIPPI)
- ♦ Association suisse du droit de la concurrence
- ♦ Association suisse du droit européen
- ♦ Commission européenne, DG Environnement
- ♦ International Trademark Association (INTA)
- ♦ Ligue internationale du droit de la concurrence
- ♦ Organisation for an International Geographical Indications Network (Origin)





Fédération de l'industrie horlogère suisse FH  
Verband der Schweizerischen Uhrenindustrie FH  
Federation of the Swiss Watch Industry FH

Rue d'Argent 6  
2502 Biel/Bienne  
Switzerland

Tél. +41 (0)32 328 08 28  
Fax +41 (0)32 328 08 80  
info@fhs.swiss / www.fhs.swiss