



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

Annual Report 2018



Annual Report 2018





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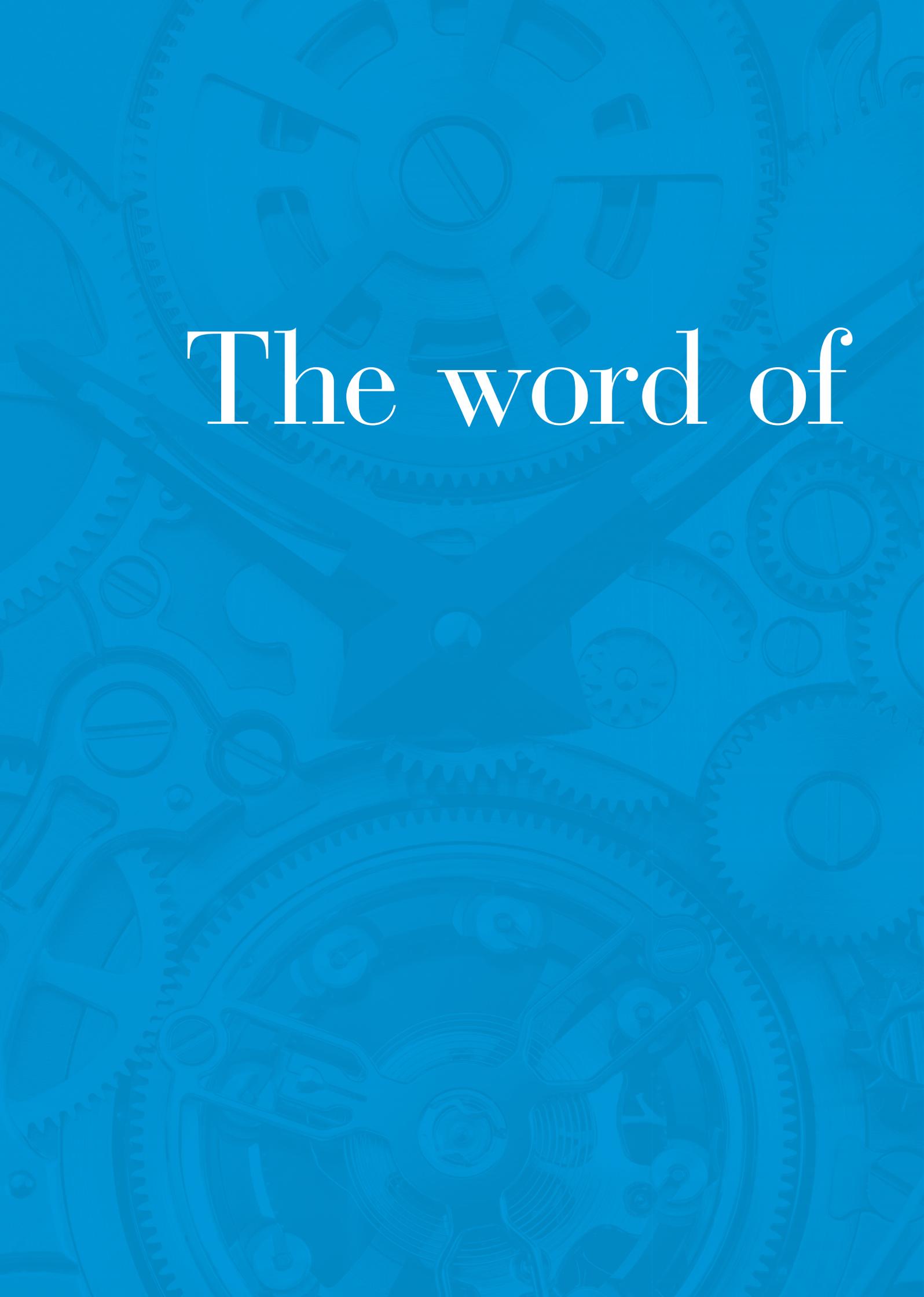
The annual report is also available in French and German in paper or electronic format, upon request.

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The word of

the President



Export results reported by the Swiss watch industry in 2018 were in line with forecasts. Their total value reached CHF 21.1 billion, an increase of 6.3% compared with 2017. This growth is mainly attributable to the Asian markets and to the United States, while Europe lagged behind. The signs of a slowdown, economic

indicators and uncertainties on several levels suggest that cautious optimism should be the order of the day in 2019.

The FH has been involved at every stage in the Brexit process, which was a significant focus of our attention in 2018, and took part in the discussions seeking to defend the interests of the Swiss economy. For our sector, free trade with the United Kingdom must be maintained – whatever the final scenario may be – since it is one of the most important markets for our industry. Turning to external economic policy, we welcome the free-trade agreement with Indonesia and hope that the negotiations now underway with Mercosur will prove successful.

The fight against counterfeit copies of Swiss watches remains a priority and the FH is making sustained efforts to eliminate their sale, in particular on the internet and social media. Since 2012, the FH has had a powerful digital investigation tool called WebIntelligence at its disposal. This software enables detailed technical information to be gathered about a website, together with relevant content data for a sophisticated criminal analysis. In light of the many technological developments that have taken place, the FH has been obliged to adapt its system and has introduced a new release of its software: WebIntelligence 2,

developed entirely in-house. The FH now has the benefit of a high-performance, comprehensive tool to continue to fight effectively against counterfeiting.

Even though counterfeiting has shifted largely onto the internet, in reality, unlawful copies of watches are still in circulation and have to be impounded; hence the importance of a commitment on the part of the customs authorities. Accordingly, the FH organised training for nearly 140 employees of the Mexican Public Prosecutor's Office. I should point out that these training seminars are one of the recurring tasks of the FH, precisely in order to raise awareness on the part of the authorities and support them in their task of detecting and destroying counterfeit copies.

When it comes to raising awareness, the FH also emphasised data protection in its legal seminar. Last but not least, it continued to implement the new definition of “Swiss Made”, in particular by publishing a revised version of its Swissness guide on its website.

For further details and to find out more about the activities of the FH, I cordially invite you to read this annual report for 2018. It describes all the actions and operations conducted by the FH on behalf of its members in particular and the Swiss watch industry in general.

I would like to take this opportunity to thank our members for their support and all the FH personnel for their dedication.

Jean-Daniel Pasche





Highlights

of 2018

The FH actively pursued its main objectives in 2018. The industry's top-level association continued to answer countless questions put by its members about the Swiss Made concept, in particular by publishing a new edition of its guide. It also kept the list of materials that are not available in Switzerland up to date. In the fight against counterfeiting, the FH strengthened its digital tools by developing WebIntelligence 2, its customised software for monitoring sites on which counterfeit watches are sold. A further step was taken in cooperation with the customs and police authorities by holding an important training seminar in Mexico and giving many other presentations across the world and online. On the subject of access to the markets, special attention was paid to Mercosur and the United Kingdom in 2018. At the same time, the FH made a careful study of the new General Data Protection Regulation.





Swiss made

The revised Ordinance

Following the entry into force of the revised Ordinance governing use of the designation “Swiss” for watches on 1 January 2017, the FH has completed complex implementation work. However, the number of requests made by FH members remained high in 2018. Be that as it may, the nature of the questions has evolved, referring very often to details and fine points of interpretation to which the text of the Ordinance gives no immediate and clear answer.

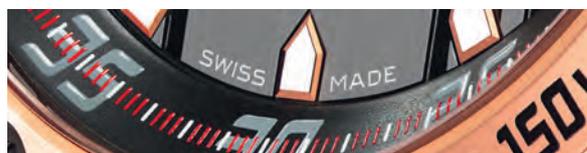
Precisely in order to respond to delicate and difficult requests of this kind, the FH had already drafted a guide for users of the Swiss Made designation in the watch industry in 2016. Since then, with the tendency for questions to become increasingly sophisticated and benefiting from the experience that had already been gathered, the FH has gradually supplemented its guide. A revised version of the guide was published in September 2018. The new wording (Version 5) reflects the interpretation placed by the FH on the provisions of the Ordinance and on all aspects of Swissness legislation applicable to the watch industry. Among other things, the exclusion of the cost of materials that are either not available at all or only available in insufficient quantities in Switzerland has been clarified – who can exclude them, how and at which point in time? Various ways of including the watch case in the calculation of the production costs are also outlined. The new version of the guide, which can be viewed on the FH internet and extranet sites, is also available in English and German.

Turning to materials that are not available in Switzerland, the FH is responsible for managing the relevant list. When calculating the production cost for Swissness purposes, the costs of these materials – which could theoretically be produced in Switzerland but whose manufacture is either non-existent or insufficient on Swiss territory – are not taken into account. When information about the non-availability of a particular material is made public by a branch, the manufacturer is entitled to assume that it can exclude the cost of the materials included on the list from its production cost calculation – in an amount equivalent to the defined rate of non-availability, of course. It goes without saying that this exception cannot be invoked if the raw material is available in Switzerland and at the same time also on more favourable terms abroad. Although the relative rate of new notifications of materials has slackened somewhat, the public list, which can be accessed directly on the FH website, evolved significantly in 2018. Seven of the 27 materials currently included on the list were added in 2018, including grade 2 and 5 titanium, up to the stage of a semi-finished product of the plate, bar and strip type; 95% of these materials are not available in Switzerland. An initial

modification of the rate of non-availability originally specified has also been made for monocrystalline synthetic sapphire material of the pear, ball, block and plate type. This material is used to make components in monocrystalline synthetic sapphire, which for their part are, on the contrary, deemed to be 100% available in Switzerland. The reduction from 15% to 10% of the rate of non-availability of monocrystalline synthetic sapphire material is explained by the increase in production capacities following the inauguration of a new facility in Switzerland.

The FH is, of course, also active in the protection of the Swiss Made label for horological products. Each year, it contests many proven infringements at world level, in particular by formulating opposition to the registration of trademarks that incorporate unlawful Swiss geographical indications following its own investigations and after addressing warnings to companies that make unlawful use of Swiss indications and as a last resort, by reporting such unlawful actions to the authorities. To become more effective in Switzerland, the FH Board decided in 2018 to set up a group of technical experts; this will enable the FH to call upon the services of specialists in support of complex Swiss Made investigations. The new group, made up of independent neutral experts, will be the final link in the investigative resources available to the FH. It will become operational once the FH Board has appointed experts, which is due to happen in February 2019.

2019 will see another important stage in the application of the Swiss Made Ordinance, with the entry into force of the requirement for technical development of the watch head and movement to take place in Switzerland. At the same time, temporary exemptions such as those relating to foreign watch cases and watch glasses held in stock by manufacturers before the entry into force of the revised Ordinance or that allowing the initial introduction onto the market of products manufactured under the old law, have now expired. Full application of the text of the Ordinance will make the FH still better equipped to pursue its daily fight against unlawful use of the Swiss Made label in 2019.



WebIntelligence 2

Fight against counterfeiting on the Internet

After a little over a year of development, the FH's new software for monitoring counterfeit sales sites, WebIntelligence 2, was launched in the summer of 2018. This large-scale project was intended to replace the old WebIntelligence 1 system, developed between 2011 and 2012 in partnership with the "Engineering and Information Technology" department at the Bern University of Applied Sciences.

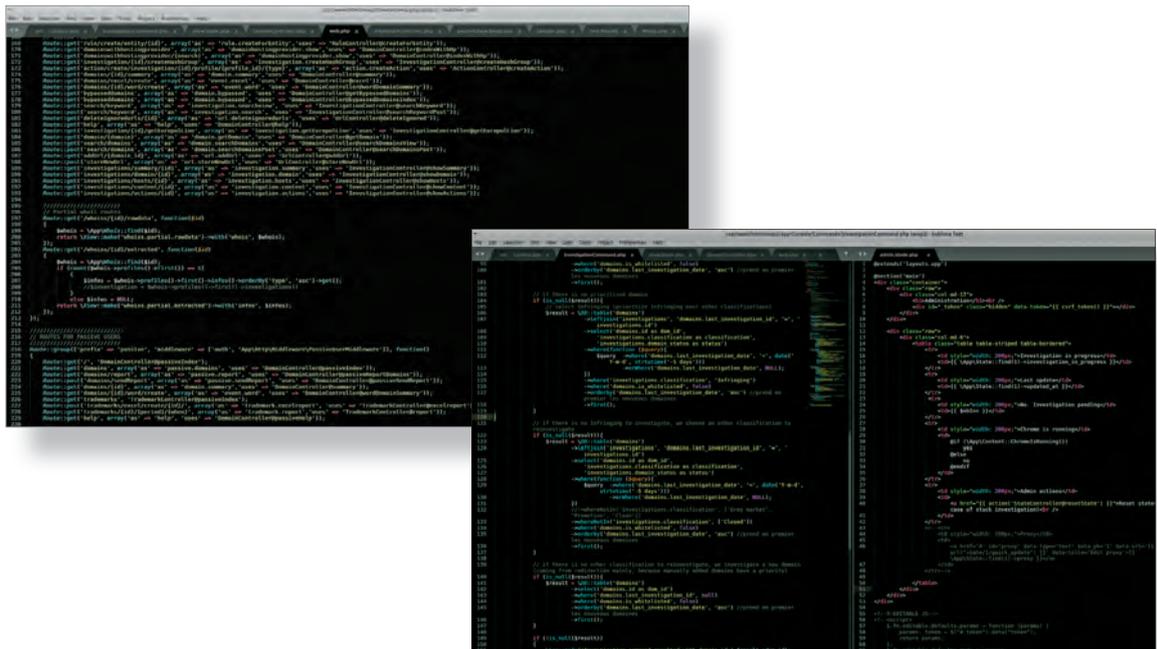
Many technological developments have taken place in recent years in the field of the Internet. The liberalisation of domain name extensions between 2012 and 2013 by ICANN (Internet Corporation for Assigned Names and Numbers), as well as the advent of internationalised domain names and the increasing use of content distribution networks are good examples. These developments have radically changed the landscape of digital investigation and major adjustments were necessary for the FH to be able to continue tracking sites dedicated to the sale of counterfeit watches.

WebIntelligence 2 (WI2) is a digital investigation tool that collects all the technical information related to the existence of a website as well as relevant content data for advanced criminal analysis. All this data is systematically stored in order to be

used as evidence in possible legal proceedings. The system independently determines whether the investigated site is selling counterfeit goods and, if so, takes appropriate action. WI2 therefore automates the entire investigation process, the sending of letters of formal notice, as well as analysis and thus allows the Internet Unit not only to save time, but also to obtain a significant reduction in this illegal activity.

Based on its 13 years of experience in investigation and development, the Internet Unit has designed this tool internally, thus ensuring that its specific needs are in line with the software's functionalities.

The new WI2 system, which went into production in August 2018, has already issued more than 40,000 formal notice emails at the end of the year. It has also proven its value on numerous occasions in legal proceedings. For example, WI2 automatically generated several hundred pages of reports as evidence for proceedings against a host of counterfeit sites. It also made it possible to compile all the information from several counterfeiters' networks in order to target a large number of domain names to be entered.



Then, since the letters of formal notice can be parametrised, they are configured to best meet all the criteria required by each technical intermediary. In addition, they are generally written in the language of the recipient. This high level of customisation has also greatly contributed to improving the response and collaboration rate of the technical intermediaries contacted.

These various aspects make WI2 a complete and efficient tool that greatly increase the effectiveness of the FH's online anti-counterfeiting efforts.

WebIntelligence: [Home](#) [Alerts](#) [Tools](#) [Intelligence](#) [Trademarks](#) [Keywords](#) [Help](#)

All domains

Show 10 entrées

Domain	Extension	Last inv	Class.	Trademarks	Alexa	ip	Country	Screen
watchtime.com	com	2019-02-14	infringing	A. Lange & Sohne... (20)	46,45,178,199		DE	
ecarwatch.com	com	2019-02-14	infringing	Audemars Piguet... (40)	10032028	46,45,178,199	FR	
unswatches.cn	cn	2019-02-14	infringing	Audemars Piguet... (22)		192,157,231,20	FR	
enrichwatches.com	com	2019-02-14	infringing	Audemars Piguet...		104,27,151,55	FR	
billigstokker.com	com	2019-02-14	infringing	Audemars Piguet...			FR	
mmjc.org.uk	org.uk	2019-02-14	infringing	Audemars Piguet...			FR	
vswstop.org	org	2019-02-14	infringing	Audemars Piguet...			FR	
hotwatches.com	com	2019-02-14	infringing	Audemars Piguet...			FR	
tagwatcher.co	co	2019-02-14	infringing	Audemars Piguet... (18)			FR	
patekwatchesstore.com	com	2019-02-14	infringing	Patek Philippe		212,7,222,145	FR	

WebIntelligence: [Home](#) [Alerts](#) [Tools](#) [Intelligence](#) [Trademarks](#) [Keywords](#) [Help](#)

Investigations

Show 3 entrées

Investigation no.	Classification	Date	ip	Country
59209	infringing	2019-02-14 02:36:07	74.91.20.132	FR
59210	infringing	2019-02-13 02:38:13	74.91.20.132	FR
59211	infringing	2019-02-12 02:38:06	74.91.20.132	FR

Showing 1 to 3 of 3 entries

Investigation no. 59209

Summary Domains Hosts and IP Content Actions

Summary

Status Classification

WebIntelligence: [Home](#) [Alerts](#) [Tools](#) [Intelligence](#) [Trademarks](#) [Keywords](#) [Help](#)

Dashboard

Total number of domains: 2095
Domains to validate: 12

Classification

Infringing domains extension

Hosting countries

Last imported domains	Importation date
smongfawatches.me	2019-02-12
replicawatches.me	2019-02-12
replicawatch.com.uk	2019-02-12
overwatches.com	2019-02-12
overwatches1001.com	2019-02-12
replicawatch.com	2019-02-12
replicawatches.com.be	2019-02-12
smongfawatches.com	2019-02-12
patekwatches.com	2019-02-12
patekwatches.com	2019-02-12

Hosting providers	Hosting
kunlun.pl	198
Cloudflare	110
Sayfa.net	63
yesup.com	15
nookey.net	13
rebalhosting.net	12
zytiti.com	9
psychi.net	9
contabo.de	9
	7

Training the authorities

Significant progress in Mexico

As the leading export market for the Swiss watch industry in Latin America, Mexico is also a prime target for counterfeiters who flood the country with flagrant copies of Swiss models or timepieces that display the Swiss Made label unlawfully. For many years, the FH has been actively involved in a campaign to stamp out the practice in this part of the world. All the initiatives have been systematically obstructed by many cumbersome administrative practices, in particular, extremely stringent formalities relating to the evidence to be produced to determine the fraudulent nature of the impounded goods.

Long and fastidious negotiations conducted at government level finally led to the signing, in November 2016, of a cooperation agreement between the FH and the Mexican Public Prosecutor's Office (PGR) with a view to strengthening cooperation for the prevention of counterfeiting in the horological sector. This agreement makes express provision to improve the exchange of information, set up training sessions organised by the FH for PGR experts and simplify the procedure for providing evidence. The PGR's services have now waived the requirement for the original timepieces to be presented as a basis for comparison. The FH had previously suspended its operations in the country because of this totally unrealistic constraint. The PGR's services now base their judgment on identification data sheets prepared by the FH to distinguish between real and counterfeit products. Following this essential step forward, the FH was able to resume its operations in 2018 and strengthen its preventive activity in Mexico, in particular through actions to impound and destroy unlawful watches.

The training course organised in August 2018 was directly inspired by the terms of the agreement. It was preceded by a major information campaign conducted by the different departments involved at the FH, acting in close cooperation with the services of the Swiss Embassy in Mexico. This work led to the drafting of a guide to the identification of counterfeit items for the exclusive use of Mexican officers.

Nearly 140 Federal public servants drawn from all parts of the country were designated by their line managers to attend the training. Because of the large audience, the seminar was held in the main auditorium of the Public Prosecutor's Office in Mexico City over a period of three days, from 14 to 16 August 2018, with five sessions of four hours each. At the end of the training course, each of the participants was handed a "diploma" by the Director of the Criminal Investigation Agency, certifying



their newly acquired competences. This Federal agency, which is part of the Public Prosecutor's Office, took charge of the logistical organisation of the training course with rigour and competence. During the three days, no technical incident, delay or failure of any kind interfered with the smooth running of the sessions – not even the many storms that break out at this time of the year on these high plateaux.

The FH regularly organises a great many training seminars every year. The Mexican session was in a sense, an outstanding illustration of a process that is slow to put in place and difficult to implement on what is an important market for the Swiss watch industry. Unfortunately, the complexity of the process is not specific to Mexico. In general, and for all kinds of reasons, effective cooperation with the authorities of a country is never self-evident. However, it is an essential piece on the chessboard of the fight against counterfeiting.

Every day, globalisation brings new opportunities for the participants in world trade, while at the same time opening up many loopholes of which the counterfeiters take immediate advantage. That is the paradox facing the authorities of every country in its brutal complexity: they must do everything in their power to enable authentic products to circulate freely, while rapidly intercepting unlawful items.

Counterfeiting is an activity of organised crime. The response must therefore call upon highly professional resources, which requires close cooperation between the public and private sectors. The aim is to detect counterfeiting at the earliest opportunity and identify the distribution network well upstream, so as to remove unlawful products from the commercial circuit before they even reach the market. To that



Training seminar in Mexico

end, the officials responsible for inspections must have clear and precise information. They must also be able to count on full and close cooperation on the part of the rights holders.

The FH plays an active part in many training seminars aimed at the authorities and always targeted at the most important markets. Several times a year, staff members travel within Europe and sometimes beyond to meet customs and police officers and give them information enabling counterfeit Swiss watches to be targeted and identified. Each year, more than 700 customs and police officers and other government agents benefit in this way from the advice and recommendations of the FH. In 2018, the FH focused all its efforts on England (Gatwick), Saudi Arabia (Jeddah), the Netherlands, Mexico, Chile and Spain (Alicante).

These missions do, of course, have a financial cost, to say nothing of the inconvenience caused by the absence of the staff members concerned for several days. The possibility of providing training courses without resorting to physical travel would therefore obviously have real advantages. Under the aegis of INTA (International Trademark Association), a first test of online training was held in October 2018. Five rights holders, including the FH, based in Germany, France, Italy,

South Africa and Switzerland, gave their presentations in turn for 20 minutes to six Dutch customs officers. This first trial proved very successful and all the participants, both customs officers and rights holders, were enthusiastic.

In view of the growing importance of online trade, which involves a vast number of postal consignments sent all over the world, these training courses given either on-site or online, will remain a cornerstone of the fight against counterfeiting.

Access to markets

Mercosur and the United Kingdom

The Swiss watch industry has one single market: the world. And the world as it is today probably requires greater efforts than ever before to establish the most favourable possible background conditions for trade in order to defend the interests of the Swiss economy and therefore also those of our industry.

As a privileged interlocutor of the Swiss authorities, the FH has always been actively committed to the Confederation's free trade policy. In 2018, this was the case in particular in respect of the Mercosur markets on the one hand and the United Kingdom on the other, against the background of Brexit.

Mercosur

The Mercosur common market (Argentina, Brazil, Paraguay and Uruguay) has a population of 260 million and represents 3.6% of global GDP. Its market is worth just over CHF 90 million for Swiss watch-industry exports, i.e. a level comparable to the business done in Malaysia or in Oman. Over 270,000 watches were sent to this market in 2018.

Political change, globalisation and global or regional financial crises have led the member countries to recognise the need for real economic integration, both between themselves and

within the global economy. This change of direction, or perhaps more aptly this need to catch up, was reflected in the course of 2017-2018 by a faster pace of negotiations with partners such as the European Union, Canada and Japan and also EFTA, with which negotiations on a free trade agreement had already been opened in January 2017.

With the intention of giving fresh impetus to these negotiations, Swiss Federal Councillor Johann Schneider-Ammann, accompanied by a delegation including the FH, travelled at the beginning of the year to the four Mercosur member countries – because one of Switzerland's objectives is to prevent any discrimination against exporters, especially in relation to their European or Asian competitors.

On several occasions in the course of this mission, the FH stressed its support for a wide-ranging free trade agreement, i.e. a text laying down first of all, a stable and transparent legal framework but also one that is ambitious, notably in terms of access to the markets (abolition of customs duties, elimination of technical barriers to trade) and protection of intellectual property rights (trademarks, models and indications of origin). These topics assume their full importance in the case of Mercosur, to the extent that access to its different markets, more specifically Brazil and Argentina, remains particularly complex and expensive.



The FH accompanied Johann Schneider-Ammann on an official visit to the four member countries of Mercosur



Quite apart from very high customs duties (the Mercosur common external tariff is 20%), a series of other charges and taxes are also imposed on watches in Brazil. Moreover, the administrative regulations are expensive and fastidious; one of them even requires a physical stamp to be affixed to each product, certifying that it has been officially imported, as well as payment of the tax on industrial products. For the rest, protection of marks and indications of origin remains highly problematic because of delays on the part of the authorities concerned. More specifically, a number of opposition procedures opened by the FH on grounds of unlawful use of the Swiss Made designation have now been pending for several years.



Eladio Loizaga Caballero, Paraguay's Minister of Foreign Affairs, with Johann Schneider-Ammann and a translator

In Argentina, watches made from precious metals are liable for an additional luxury tax of 20%, which creates de facto discrimination against Swiss timepieces.

All these obstacles hamper the development of the local markets and hence of business. A future free trade agreement would, admittedly, only provide a partial response, but would self-evidently be an essential first step towards reform and opening up of the world's fifth largest economic bloc. For several decades now, Brazil and Argentina have been described as markets with a promising future and it is high time for that future to become a reality. Looking at the situation realistically, the fact is that negotiations with the European Union are Mercosur's priority at present. The early months of the Bolsonaro presidency should therefore soon give an idea of the real scope of his liberal policy in favour of international trade.

United Kingdom

As soon as the result of the UK referendum in 2016 was announced, Switzerland defined its *Mind the Gap* strategy to anticipate the consequences of Brexit, regardless of the final scenario. The FH has been involved throughout the process, especially in late 2018 and early 2019, when the likelihood of a "no deal" took precedence over other options, although absolute uncertainty remained the order of the day.

Discussions were therefore rapidly opened with London to safeguard and even improve the mutual rights and obligations stipulated until then in the agreements between Switzerland and the EU, after 29 March 2019.

These negotiations led to the signing of a bilateral trade agreement on 11 February 2019. This agreement, which could theoretically enter into force provisionally on 30 March, covers access to the market (customs duties and customs security), preferential rules of origin, mutual recognition agreements on conformity assessment (MRA) and public contracts, among other factors. An agreement on the free movement of persons was also approved by the Federal Council and another on air transport was signed on 17 December 2018.

The issue of logistics, which is one of the most complex, remains unresolved since a "no deal" with the EU would require the restoration of border controls and customs duties. Although France has announced several measures to assure the continued operation of the Port of Calais, the situation remains more uncertain on the UK side, even if tolerance and flexibility have already been announced. All this assumes that European and UK customs authorities would themselves already be able to apply the changed rules on the night of 29 to 30 March, which certainly cannot be guaranteed.



Data protection

New regulation

In this age of digital technology and big data, data protection is more topical than ever before. New protection standards are being introduced, especially in the European Union (EU) with the entry into force of the GDPR (General Data Protection Regulation) in May 2018. Swiss legislation on the subject is also being overhauled at present.

The new European regulation is particularly important for Swiss watch-industry companies because of its extraterritorial application. Every firm that supplies products or services in the EU or processes European citizens' data must comply with the GDPR, even if the company concerned is not itself based in the EU. A heavily export-orientated industry like ours is therefore particularly affected by these provisions.

Seeking to ensure that consumers regain better control of their personal data, the GDPR lays down a stringent and precise framework for data gathering. This can no longer be done without the knowledge of the person concerned and his or her specific consent will often be required. A general principle of minimisation likewise implies that only data that are strictly necessary for the desired purpose can be gathered and may only be retained for a limited period. The company must be perfectly transparent about its policy in this area and assure maximum security as the default solution.

These obligations go hand in hand with stronger consumer rights. Consumers can now ask a company at any time to explain whether it holds data about them, and if so, which data. They may also ask for such data to be either amended or deleted. Internal procedures must therefore be put in place by the companies concerned to enable them to respond to these requests within 30 days.

The GDPR also lays down tough penalties for companies that fail to comply with its provisions: administrative fines equivalent to 4% of turnover or €20 million can be imposed in the event of a serious failure to comply with the regulation.

Although the Swiss text is less stringent than its European counterpart, it is likely to mirror the main lines of that regulation. The FH is keeping a close watch on progress in this matter and will keep its members informed of any relevant new developments.

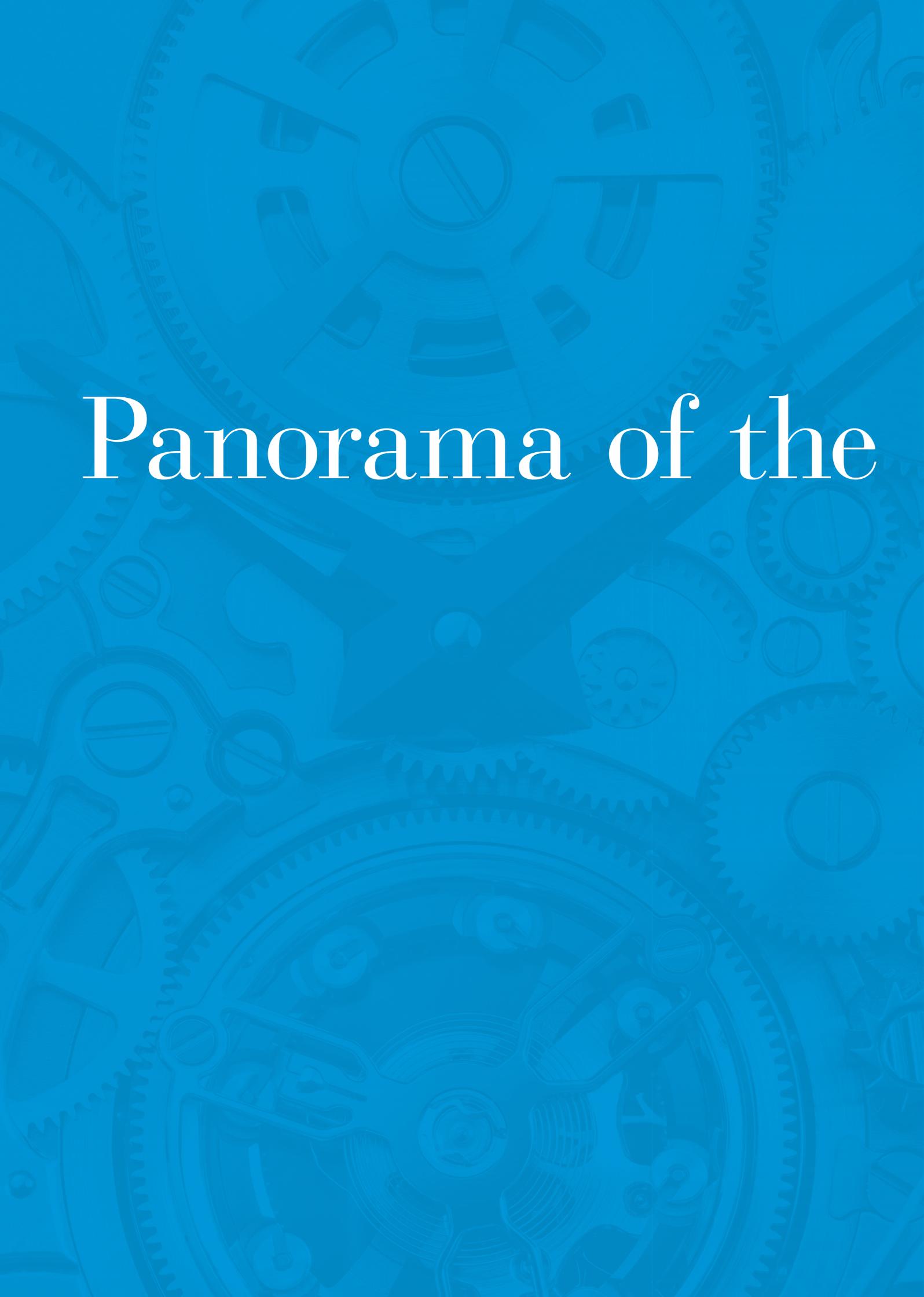
In view of the significant consequences of these new standards for the watch industry, data protection was the subject chosen for the 2018 legal seminar held on 27 November at the Congress Centre in Bienne. On that occasion, several speakers



Legal seminar held on 27 November 2018 on the subject of data protection

who are experts in the field discussed in turn, the key principles of the GDPR, its applicability to Swiss companies, practical aspects of its implementation and certain specific questions, such as the issue of smart watches. The event ended with a presentation of the revised text of the Swiss Federal Act on Data Protection; this was attended by some 50 participants.





Panorama of the

2018 activities

As the leading association for Switzerland's third-largest export industry, the FH has many objectives: improving the underlying conditions of the sector in Switzerland and the rest of the world, dealing with the challenge of counterfeiting and also, for instance, supporting its members and keeping them, as well as the media and consumers, fully informed. The following pages present a selection of actions taken by the Federation in 2018.



Improvement of framework conditions

Defending the interests of the industry at international level led the FH to make representations throughout the year to the authorities of many countries (see also the “Highlights” section). These interventions took place in the context of negotiations on the review or conclusion of free-trade agreements, either coinciding with official missions (State visits, bilateral mixed commissions and working groups) or in response to current events or directly on the basis of specific requests made by members.

The FH intervened officially in this way in more than 20 markets, notably including Saudi Arabia, Brazil, Chile, China, Iran, Italy, Myanmar, Thailand and Russia.

Market access conditions, technical barriers to trade, technical or administrative regulations, distribution legislation and the protection of intellectual property rights were among the main areas of intervention. A few actions undertaken during the year are outlined below.

International online commerce – Bühler motion

The growth of e-commerce is having a negative impact on the fight against counterfeit copying of watches. Many copies are being delivered in this way to purchasers. Checks on these consignments need to be strengthened, but in fact the exact opposite is happening. The Federal Customs Administration (FCA) is scaling back its activity to make savings. In reality, however, there are no real savings to be made because this verification service is paid for by the FH and the brands concerned. This money then ends up in the Federal Treasury and not as FCA revenue.

On 27 February 2018, a delegation from the FH Legal Affairs Commission discussed this issue with Federal Councillor Ueli Maurer, Head of the Federal Department of Finance on which the FCA depends. He showed a keen interest in the subject.

On 16 March 2018, National Councillor Manfred Bühler (UDC, Bern) tabled a motion entitled “International online commerce. Efficacy of the verification procedures used by the Federal Customs Administration”. He called upon the Federal Council to simplify the legal provisions governing inspections and procedures to make their implementation more effective and permit adequate verification of online commerce. According to Manfred Bühler, growth of international electronic commerce may become a threat to Swiss branded products, affecting the economic viability and innovation capacity of Swiss companies as well as the security of consumers in our country.

The FH supported the motion, which should in the long run respond to its concerns seeking to guarantee effective verification of consignments that are liable to contain counterfeit watches. It has already made similar representations to members of the Federal Parliament.



Manfred Bühler, Member of the National Council

In its decision of 15 May 2018, the Federal Council proposed the adoption of the motion, which the National Council validated on 15 June.

The motion must now be forwarded to the Council of States, in the first instance to the Commission on Economic Affairs and Licence Fees and then to the plenary session of the Council. The FH continues to monitor developments.

China

Federal Councillor Johann Schneider-Ammann paid an official visit to China from 5 to 9 September 2018. The FH was present and took the opportunity to stress the importance of free trade and efforts to prevent the copying of Swiss watches.

With just under 1.4 billion inhabitants, China has the largest population of any country in the world. It is benefiting from a long period of economic growth, admittedly not always on the same scale, with GDP rising by 6.7% in 2016, 6.9% in 2017 and probably around 6.5% in 2018 and 2019. China is

banking heavily on its “Belt and Road Initiative” to strengthen commercial ties with countries along the old Silk Road. In particular, support is to be given to development in infrastructure, trade and the internationalisation of the yuan. There is also a determination to strengthen integration with neighbouring states.

China is Switzerland's third-largest economic partner worldwide, after the European Union and the United States, and its leading partner in Asia. Switzerland mainly exports precious metals, jewellery, pharmaceutical products, machinery and watches as well as optical and medical instruments. It imports machines, textile products, primary chemical products and horological products. China is also a country in which direct Swiss investments remain substantial and are continuing. On the other hand, direct investments by China abroad are declining, particularly because of the control of outflows from the country put in place by the government.

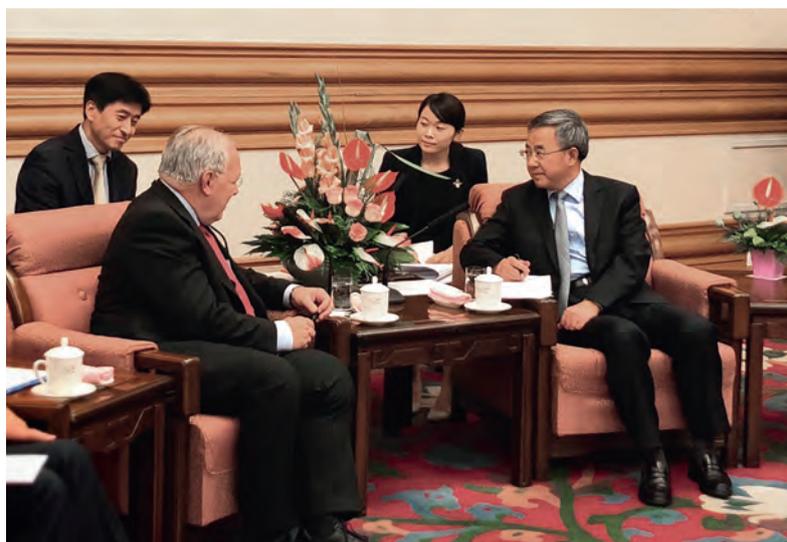
China is the third-largest export market for our industry. After years of decline, the industry returned to growth in 2017 and that trend continued in 2018. China and its population are playing a dynamic role in the current development of the watch industry.

An impressive Swiss delegation accompanied Federal Councillor Johann Schneider-Ammann, made up, in particular, of economic representatives as well as scientists and researchers.

The delegation met many Chinese officials, particularly those responsible for industry: Miao Wei, Minister for Industry and Information Technologies, Zhong Shan, Minister of Trade, and Ma Zhengqi, Vice-Minister of Public Administration responsible for market regulation (SAMR), as well as the Deputy Director-General of that administration.

During the meetings with ministers, the Chinese side pointed out how highly Swiss watches are regarded by local consumers.

SAMR is a new administrative body that combines the activities of Chinese state services: registrations and implementation of intellectual property rights including indications of origin such as Swiss Made, verification of product quality, anti-trust measures, inspection of foodstuffs etc. It is therefore an important administrative authority for our industry in the context of preventing counterfeiting and unlawful use of the Swiss Made designation.



Johann Schneider-Ammann and Hu Chunhua, Vice-Premier of China

The FH called attention to the positive role of free trade. This agreement, which entered into force in 2014, is a major step forward to ensure a measure of legal certainty. It also makes provision for a 60% reduction of customs duties which will not, however, take full effect until 2023. For the Swiss watch industry, the priority for the review should be the customs duties applicable to finished watches, the aim being to achieve a further reduction or even the complete elimination of Chinese duties. Less than ten tariff headings are concerned here, but they account for more than 95% of the total value of exports to the Chinese market.

The FH also raised the issue of copies of Swiss watches and unlawful use of the Swiss Made designation. Cooperation already exists with the responsible Chinese authorities and counterfeit watches are regularly impounded. The Chinese administration also acts to prevent unlawful use of the Swiss Made designation, which misleads local consumers. However, a great deal of work still remains to be done. Following the changes made to Chinese government bodies, in particular with the creation of the new SAMR administration, we will have to ascertain how this new entity will meet the needs of the FH in the fight against counterfeit watches and unlawful use of the Swiss Made designation.



Free-trade agreements

Negotiated over an eight-year period, the free-trade agreement between EFTA and Indonesia was signed in December. The agreement will, in particular, improve access to the market (customs duties, technical barriers) and legal certainty for trade in goods and services. More specifically, customs duties on watch industry products, currently levied at the rate of 10%, will gradually be abolished. Mechanical watches will be exempt within nine years and other timepieces within five. With this agreement, which should enter into force in 2020, EFTA will become Indonesia's first free-trade partner in Europe.

The FH continued to focus on the practical application of the agreement with the Gulf Cooperation Council, especially in regard to Saudi customs procedures at Jeddah, Riyadh and Dammam airports. These still require the compulsory separation of preferential and non-preferential consignments on the grounds that combined consignments cannot be processed correctly. Moreover, certificates of origin still have to be submitted on paper and no simplified procedure is possible. Lengthy customs clearance delays, cumbersome administrative procedures and added costs are the direct consequences.

The mission by Federal Councillor Johann Schneider-Ammann to the republics of Central Asia (Azerbaijan, Uzbekistan and Kazakhstan) provided an opportunity for the FH to call attention to the importance of tariff barriers to imports and the excessive number of administrative difficulties the distribution sector has to overcome (including customs procedures, customs clearance delays and bureaucracy). The FH also reiterated its request to the Kazakh authorities for an agreement to be reached on the mutual recognition of the hallmarks struck on horological articles in precious metals, modelled on the agreement concluded with Russia in 2013. At present, Kazakhstan does not recognise Swiss hallmarks; hence the obligation of inspection and marking.

The free-trade agreement between EFTA and the Philippines, which entered into force on 1 June 2018, could not be immediately applied by the local authorities for internal procedural reasons. The situation was normalised satisfactorily at the end of the year, so making the agreement fully applicable from 24 October. Customs duties on horological products were abolished on that date.



Johann Schneider-Ammann and Zhong Shan, Trade Minister

The agreement with Georgia entered into force normally on 1 May, when customs duties on horological products were also abolished.

Finally, while the agreement with Ecuador was signed in June, negotiations with Vietnam made little progress in the course of the year.

Last but not least, the opportunity for a bilateral agreement with the United States is back on the agenda since Washington asked for exploratory discussions to be resumed with Bern at the beginning of the year. Various evaluations will have to be made first to determine the scenario for possible negotiations. In particular, we will need to decide whether the arrangement should be wide-ranging, including agriculture, or more limited, bearing in mind the fact that negotiations between the United States and other partners have reached a much more advanced stage.

Protection of intellectual property

Whenever necessary, the FH took the opportunity of official missions and other meetings of the bilateral joint commissions to intervene in favour of the industry's interests with regard to protecting intellectual property rights or indications of origin. While the contexts differ on each occasion, some constant factors are unfortunately encountered in many jurisdictions. One such problem resides in the difficulty of obtaining search warrants, or still more seriously, legislative changes which, in effect, facilitate counterfeiting in Turkey, measures that lack a sufficient deterrent effect in Vietnam and Thailand, or insufficient support on the part of the Indonesian authorities, despite the flagrant visibility and very wide availability of counterfeit watches.

RoHS becomes universal (or almost)

Drawing heavily on European legislation, Brazil proposes to adopt its own legislation on restricting the use of hazardous substances in electrical and electronic equipment (RoHS).

RoHS concerns the watch industry directly because electronic watches fall within its scope of application. Logically, therefore, the FH raised the subject of this draft legislation at the ninth joint bilateral commission meeting between Switzerland and Brazil. First, to welcome the fact that Brazil wishes to be guided by European regulations and so take account of the necessary harmonisation of rules at international level. As European rules have laid down a global standard, any disparity at this level would, in effect, merely create real barriers to trade with the accompanying economic impacts. It should also be noted that European legislation includes a number of exemptions that will have to be transposed, in particular those concerning the possibilities for substitution of materials. Finally, the FH stressed the importance of perfect harmonisation in respect of evidence of conformity. That evidence, in fact, mirrors the European principle of technical documentation, which must be retained by the manufacturer and then produced only if an inspection is made by the authorities. On this point too, the FH strongly encouraged the Brazilian authorities to adopt a similar approach so as not to create a system of parallel criteria, which would, by definition, be very hard to implement.

The Eurasian Economic Community (Belarus, Kazakhstan, Kirghizstan, Russia, Tajikistan, and some other observer states) introduced RoHS legislation on 1 March 2018. However, a transitional period was laid down until its effective entry into force on 1 March 2020; in other words, the products concerned can be placed on the markets in the meantime with no obligation of conformity.

The fact remains that, from the watch industry point of view, this legislation still involves great uncertainty because it does not clearly indicate whether electronic watches effectively fall within the scope of application.

While the supposition of outright exclusion of this type of timepiece from the scope of application seems unlikely in principle, the FH asked for Eurasian RoHS legislation to be at least harmonised as far as possible with existing European legislation. That request was put initially at the 19th meeting of the Switzerland-Russia joint committee and then directly to the Council of the Eurasian Economic Community, based in Moscow.

ATA Carnet

The ATA Carnet is a highly appreciated tool to cover temporary admissions or transit of goods (samples, professional equipment etc.). Today, just under 80 countries recognise the use of this Carnet. The Swiss watch industry is a major user and the FH regularly asks the authorities of certain countries to join the international convention regulating its use. In the course of 2018, this was the case for emerging countries such as Vietnam, Myanmar and various republics in Central Asia. While it is true that the process of admission to the convention often proves long and cumbersome, it does, nevertheless, more often than not result in a satisfactory outcome, as was the case with Qatar last year.



Information and public relations



2018 General Meeting

The FH remains a key point of contact for the media, which regularly ask questions about developments in the industry or specific matters concerning watchmaking. The implementation of the new Swiss Made designation and the interpretation of the text of the revised ordinance have been the subject of many interviews and articles, as has the current situation of the watch industry. For its part, the FH regularly circulates press releases.

Over and above regular contacts with the watch industry press and many requests made at exhibitions dedicated to the sector – the SIHH in January and Baselworld in March – the Chairman granted interviews to Swiss and international media organizations. He also gave a number of lectures, in particular to the SIHH 2018 in Geneva, the Federal Institute for Higher Vocational Training Studies in Geneva, the Cartier Watch Industry Institute in La Chaux-de-Fonds, the Rotary Club in Granges, the Sino-Swiss Forum Free Trade Agreement in Sankt-Gallen and an official delegation from Saudi Arabia to the FH.

General Meeting

The 2018 General Meeting was held in Schaffhausen on 28 June in the presence of delegates and members of the FH and numerous guests. The latter included Councillor of State Cornelia Stamm Hurter, head of the Schaffhausen Cantonal Finance Department, Peter Neukomm, President of the City of Schaffhausen, National Councillors Thomas Hurter (UDC, Schaffhausen) and Philippe Bauer (PLR, Neuchâtel), together with Mario El-Khoury, Director- General of the Swiss Centre for Electronics and Microtechnology (CSEM), who was the day's lecturer.

Berner Dictionary

The FH continued its work on the update of the Illustrated Professional Dictionary of Horology, widely referred to as the "Berner Dictionary". The objective is to review and update thousands

of definitions and drawings, while also incorporating new words and definitions. The project is being led by the FH with the help of a standing group of experts, whose members are as follows: Bernard Muller and Marlyse Schmid, designers and authors of books about watchmaking, François Klopfenstein (ETA), Antoine Simonin, former WOSTEP Director and publisher of books about watchmaking, and Pierre-Alain Vuille, a former ETA staff member.

Watch industry statistics

The Swiss watch industry exports some 95% of its output. As a reliable barometer of trends in the industry, the monthly statistics published by the FH are a rich source of detailed information. Gathered and compiled by the Federal Customs Administration on the basis of export declarations, these data enable the brands, in particular, to compare their performance with the average and study precise trends. They are also the basis for drawing up medium-term forecasts. Last but not least, they provide answers to the many questions put by analysts, journalists and students.

Watch industry statistics are the starting point for a more global analysis of the market. This is published quarterly in the economic magazine *Tendances* (Trends). Many subjects are monitored continuously in order to highlight the general context and factors influencing the progress of business. The major changes confronting the industry also receive special attention. In 2018, *Tendances* called attention to trends in the luxury market, tourism, smart watches, e-commerce, the rapid growth of the pre-owned market, changes in consumption patterns, duty-free sales and the challenges facing the retail trade.

Revue FH

True to its aims, the *Revue FH* continued to keep members of the Federation and its many subscribers informed through its 20 published issues. Among the topics covered were the latest Swiss and international developments, news from watch industry companies and sub-contracting, new products, watch shows, museum exhibitions, auction sales, extracts from the Register of Commerce and so forth. A special dedicated section described the different activities of the FH, including presidential missions and travel, training provided for the customs and police authorities, prevention of counterfeiting in the field and on the internet, and monthly watch export figures. The publication is always highly appreciated by its readers and advertisers alike.



The Chairman addressing the FH members and delegates at the general meeting

Website

Regarded as a reference for matters relating to the watch industry, the FH website was popular with visitors in 2018. Of the millions of pages viewed, the statistics and the Illustrated Professional Dictionary of Horology (Berner Dictionary) generated substantial traffic. Visitors also regularly viewed the News section, which reports on the latest developments at the FH, watch companies and new products launched on the market.

Presence at Baselworld

The World Watch and Jewellery Exhibition opened on 22 March and ran until 27 March. For its 101st event, Baselworld brought together 130 Swiss watch brands out of a total of 650 exhibitors. Despite the fact that the show was open for two fewer days than in 2017, the number of buyers and journalists remained unchanged.



BASELWORLD SWISS EXHIBITORS

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

watch.swiss

As part of its mission to promote the sector, the FH works regularly to educate consumers across the world about the watch industry using an exceptional tool: *watch.swiss*. As an interactive, fun travelling exhibition, *watch.swiss* immerses its visitors in the unique world of the Swiss watch industry. Visitors will be fascinated or surprised by turn, learning how centuries of history have conferred their unique character on Swiss timepieces and discovering the genius of watchmaking through timepieces with additional functions ('complications'). Thanks to a giant postcard, visitors can have their photos taken in front of a landscape of their choice, while an astonishing interactive work bench gives them an opportunity to feel what it is like to be a watchmaker. For those who wish to broaden their knowledge, a great deal of further information is available on the dedicated website www.watch.swiss.

In April, the FH took part in large-scale awareness-raising campaign directed at Russian consumers. Organised in cooperation with the Swiss Embassy in Russia and the Swiss Business Hub, the purpose of this operation was to enable the general public to discover or rediscover a wide range of Swiss products. Over a ten-day period, Swiss Days attracted wide attention in St Petersburg. The chosen venue, Raduga (meaning rainbow in Russian) is a well-known shopping and leisure centre in the city. *watch.swiss* was present, alongside four watch houses: Certina, Hamilton, Longines and Rado.

After Singapore in 2017, the FH continued to promote the Swiss watch industry to the Asian public: from 6 September to 10 October, *watch.swiss* was present at the celebration organised to mark the 15th anniversary of Taipei 101, one of Taiwan's most prestigious department stores. Longines, Rado, Tissot, CK Watch, Swatch, Omega and Blancpain all took part in the event. On the fourth floor, the Watch & Jewelry Salon offered visitors the opportunity to appreciate an elegant setting in which contemporary artworks were showcased alongside exceptional timepieces by Audemars Piguet, Breguet, Bvlgari, Chaumet, Chopard, Hublot, IWC Schaffhausen, Officine Panerai, Piaget and Roger Dubuis.

Finally, shortly before the Christmas season, *watch.swiss* visited Frankfurt Airport in Germany. Fraport is the world's thirteenth busiest airport, number one in Germany and among the most important in Europe. The area chosen attracted a large number of departing and arriving passengers as well as the people accompanying them. 54% of them lived in Germany and 60% were travelling to destinations in Europe, allowing the FH to reach both German and foreign consumers.



watch.swiss in Poland



watch.swiss à Francfort



watch.swiss in the Czech Republic



The fight against counterfeiting

Scope of activities

In 2018, the FH pursued many activities to prevent counterfeiting on behalf of the members of the Anti-Counterfeiting Group (GA) and the Internet Unit. We are reporting only the most salient points here, as a separate detailed report on the subject is available to interested readers on request.

Seizure operations on the markets

In the course of 2018, FH services (in Bienne and Hong Kong) dealt with over 2,757 cases across the world, ranging from the seizure of small postal packages to large scale operations in assembly workshops and on storage premises. In total, these widely differing cases involved the confiscation of some 1,110,000 counterfeit watches. Details of a few major operations conducted during the year are set out below.



Trial raid at Cozumel, Mexico

Mexico

2018 saw the resumption in practice of FH activities in Mexico, after an interruption of more than four years due to procedural obstacles. The cooperation agreement signed in 2016 between the FH and the Mexican Public Prosecutor's Office had already been a significant step towards the resumption of activities there. However, we still needed to organise a test raid to make sure that the new procedure which had now been set up would work smoothly.

The little island of Cozumel, lying off the coast at Playa del Carmen, was chosen as the target for this operation. Many tourists disembark every day at its major port for cruise liners, making it an ideal location for counterfeiters. The island's main avenue is lined with many jewellery stores and fraud unfortunately flourishes here. Some boutiques were displaying counterfeit watches alongside fake jewellery. The situation is all the more damaging as official retailers of luxury watch and jewellery brands can be found just a short distance away. Many complaints had been recorded by the local consumer protection office, but they had never been followed up by action. The decision was therefore taken to intervene, with the support of the Federal authorities to make this raid a success.

On 26 September 2018, four teams from Mexico took simultaneous action in previously identified jewellery stores. Even though the number of pieces confiscated was relatively low, this raid marked a turning point in local counterfeiters' activity because it was the first operation of its kind undertaken on the island.

Poland

The small town of Wolka Kosowska lies south west of Warsaw. Known mainly for its Chinese Trade Centre, it is nevertheless also a hub for counterfeiters.

At nightfall, a big municipal car park is regularly transformed into a market for counterfeit products. Makeshift stands set up in the back of vans or even on the ground come to life for a few hours, enabling vendors of counterfeit products from all over the country to obtain wholesale supplies here.

However, the configuration of this market makes it a difficult target for raids. It is very open, so allowing the fraudsters to make their escape easily and each intervention therefore requires long and thorough preparation with the support of around a hundred members of the police force. As a partner of the FH for many years, The Dutch company, REACT, which has been a partner of the FH for many years, took part in the

whole process through its local branch, from the preparatory stage to the inventory of seized goods.

A number of large-scale operations were conducted here in 2018; they enabled nearly 40,000 counterfeit articles, including some 300 fake Swiss watches, to be confiscated.

The Balkans

The Balkan countries outside the European Union – Albania, Macedonia, Serbia, Kosovo, Montenegro and Bosnia-Herzegovina – are a major market with their 18.5 million inhabitants and a land area of 205,000 km². To increase the number of counterfeit items seized here while reducing costs, an action programme was put in place in cooperation with REACT, starting in September 2018.

Market studies have already been performed in several towns, notably Skopje in Macedonia and Belgrade in Serbia. This step enabled problem markets to be identified and the necessary measures to be taken in cases where justified by the situation. Initial results are expected in the course of 2019.

Pakistan

At the end of 2017, the Swiss State Secretariat for Economic Affairs and the Federal Department of Foreign Affairs reported seizures by the Pakistan customs authorities to the FH, a first action of this kind clearly linked to the entry into force of new customs regulations on intellectual property. In view of the declared quantity (1200 pieces) and to encourage the local authorities to act against counterfeiting, the FH decided to take follow-up action, despite the cumbersome and complex administrative steps that had to be taken. In the end, thanks to the support of the Director for Intellectual Property in the customs administration, the goods were sent for destruction.

Two other raids took place in June and September 2018 and the FH intervened once again; as a result the goods were abandoned by the importer.

However, one last case required the deployment of more substantial resources because the importer referred the matter to the High Court of Sindh; it claimed that the actions taken by the customs authorities were unconstitutional. In view of the number of pieces seized (some 45,000 counterfeit Swiss watches), the FH briefed local lawyers to plead this case, which they did successfully. However, these proceedings made simplified legal action impossible and cases had to be brought in the appropriate civil court in order to secure an order for the items to be destroyed. A decision was handed down in favour



Pop-up stand in Poland

of the rights holders but its enforcement is proving more complicated than expected because the importer is continuing to use every possible means to recover its goods. In other words, no end to the legal case is yet in sight.

Hong Kong Watch & Clock Fair

The first week in September traditionally sees the opening of the Hong Kong Watch and Clock Fair. The organiser hosted 830 exhibitors for the 37th edition of the event. Coming from 25 countries, they covered the whole range of watch industry products from finished watches to marketing accessories including specialist tools and a range of presentation cases and packaging, all on display in a colourful show which was in some ways reminiscent of a souk or bazaar. Paradoxically, it is also this aspect which enhances the charm of the exhibition and makes the distribution of the exhibitors particularly attractive. This is a Far Eastern touch, in other words - spicy and sometimes even too highly seasoned for the visitor to appreciate. In the section dedicated to manufacturers of luxury watches, astonished visitors come across such “prestigious brands” as ANPASSA, ARBUTUS, GOODYEAR, FOUETTÉ or RENE MOURIS. Hard to understand! Be that as it may, the 37th edition clearly failed to attract enough exhibitors to fill all the halls of the Convention Centre in Wanchai. Vast spaces, which had not been taken up by potential exhibitors, were converted into rest and relaxation zones or cafeterias, so discrediting to some extent the official figures announced by HKTDC, the event organisers.



Hong Kong Watch and Clock Fair

The results of the surveillance action put in place by the FH for the eleventh consecutive year show 31 complaints filed (27 in 2017), 19 infringements acknowledged (17), 12 infringements rejected (8) and no complaints invalidated (2).

It is worth recalling that the assessment criteria had been tightened up in 2017. Since then, the FH investigators have been instructed to focus on flagrant cases so that, in the end, the outcome is much the same. The rate of recognition of breaches is also in line with that of previous years, reflecting consistency in the treatment of complaints.

In addition, despite special attention, the surveillance did not lead to the identification of any unlawful use of the Swiss indication of source. This positive result can certainly be credited to the awareness raising undertaken in this part of the world by the FH and directed in particular at the watch industry bodies which shape policy in Hong Kong.

Actions on the Internet

2018 saw major changes in action against counterfeiting on the Internet as well as developments with which the FH had to contend, and which make its mission ever more complex.

The European Union's new General Data Protection Regulation, which entered into force on 25 May 2018, has a direct influence on action against counterfeiting on the Internet. Some *registrars* (domain name registration offices) reacted by

masking the data published in Whois (protocol enabling users to look up the registration of a domain name or IP address) because they were afraid of sanctions. In other words, the fight to close down counterfeiting sites lost an important source of information. Although some counterfeiters had already been resorting for many years to the anonymisation of Whois data or provided far-fetched details, the email address did enable links to be established between the different domain names. Information, even if false, was often identical from one site to another.

Following the Facebook scandal over data protection, access (via Application Programming Interface: the interface that gives access to a database and simplifies the interconnection of different systems) to the Instagram database - owned by Facebook - was blocked, making the search for offers of counterfeit products on this site far more difficult. Note: Instagram is one of the social media most popular with counterfeiters for the sale of their unlawful products.

In parallel with these political and technical developments, another trend was observed: counterfeiters are tending to make less and less use of text brands to promote their products. At a time when advertising content is posted on a massive scale to internet users, the traditional means of referencing content by keywords and other metadata are no longer indispensable.

The FH has adapted to these changes and put new procedures in place in order to ensure that an offer of counterfeit items can still be detected effectively. In 2018, more than a million

offers were deleted from sales platforms and social media. New platforms have also been added to our surveillance, enabling the defence of members' interests to be extended to countries hitherto disregarded in Europe and also in Asia. In parallel, a procedure to seize assets was launched in order to hit the vendors where it hurts.

In terms of action against dedicated sites, the FH innovated with the introduction of WebIntelligence 2, an entirely new investigation. Among other things, this enabled procedures to seize domain names – more than 400 domains – to be set in motion and evidence to be provided for legal action against a recalcitrant host responsible for hosting more than 200 counterfeit product sites. For further details, see the Highlights heading, page 9.

Technical analyses

In the year under review, FH watchmakers carried out technical analysis of 279 samples, i.e. 118 fewer items than in 2017 (-30%). The outcome of these analyses was recorded in 272 reports on origin, 83 fewer than the previous year (-23%). The pieces listed made unlawful use of 28 different marks (38 in 2017). The samples examined in 2018 were seized or acquired in 18 different countries (14 in 2017). The watches and reports were forwarded to the rights holders and also to the bodies that had originated the confiscation actions. In parallel, in the course of the same financial year, the FH anti-counterfeiting service processed 1309 requests for certificates of counterfeiting, 42% more than in the previous year.

The reduction in the volume of activities linked to technical investigations, already observed in 2017, continued in 2018. The change in the treatment of customs seizures at the Swiss borders associated with the full implementation of the Federal Customs Administration's austerity programme is now producing tangible and measurable effects. Using 2016 as the basis for comparison, there was a very substantial reduction in inspections and confiscations in commercial traffic (-75%) under this programme in 2017 and 2018. It is worth noting that in the early 2000s, the FH dealt with more than 1000 items a year (1237 in 2003). This changed practice has been accompanied by another phenomenon that is fairly widespread in our Western society, namely the increasingly litigious approach to procedures. With hindsight, we are bound to point out that this approach has been accompanied by a manifest loss of efficiency. This trend also explains the substantial increase in the number of requests for certificates sent

to the FH (six certificates per working day during the financial year 2018). Consequently, FH watchmakers currently spend more time writing these certificates than they do analysing counterfeit watches.

In terms of origin, most of the samples analysed in 2018 came from Asia, mainly either directly from China or in transit via Hong Kong. While their origin is no longer a surprise, the way in which counterfeit products are delivered raises further questions. Today, the counterfeiters are quick to benefit from competition between different public and private postal services. CHINA POST (China - public) appears in the majority of consignments, but we also regularly encounter DHL (Germany – private), ROYAL MAIL (Great Britain - public) and POST NL (Netherlands - public). The fact that state or semi-state agencies are involved in the trade in counterfeit products does come as something of a surprise.

As usual, a substantial majority of the samples involved counterfeit brands and/or models. The remainder consisted of unlawful indications of source, in other words all the items that used a Swiss geographical indication ("SWISS MADE", "FABRIQUE EN SUISSE", or a derivative such as "GENEVE") in a misleading manner or in breach of regulation in force in Switzerland or in the destination country. In the course of the year under review, the FH drew up fourteen reports on this subject (39 in 2017), taking a detailed look at fifteen samples (54 in 2017). For the most part, they were obtained by test purchases made in order to flesh out existing files.

Description	Qty	Kg	Value
Watch(c1-	3	0.1	3.6
Totals of contents		Pcs 0.300 Kg	\$ 10.90

Country of origin of goods – **China**

Operator: NL

Country of destination: **CH**

Tracking number: **LX459603302NL**

Package carried from China to Switzerland by Post NL



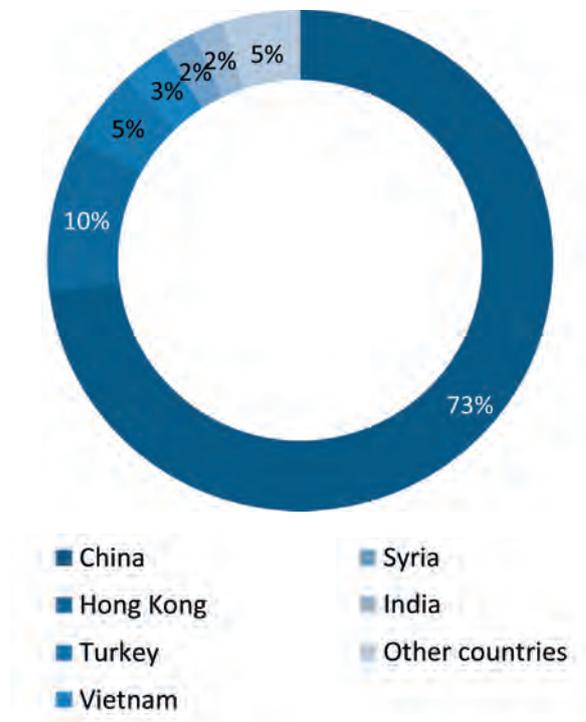
Package carried from China to Switzerland by DHL

Alongside copies of brands or models we also find unlawful technical indicators, first and foremost the “CHRONOMETER” label and the Geneva hallmark, as well as false precious metals hallmarks. In recent years, the “CHRONOMETER” label, which nowadays enjoys high prestige, has proved attractive to the counterfeiters. In 2018, the FH recorded 80 cases of unlawful use of this label or its derivatives on watches and on the commercial documents accompanying the timepieces (97 in 2017).

After processing in the database, all the information gathered in the course of the year enabled eight summary reports to be drawn up (ten in 2017). These supplement individual reports on origin. Based on a group of not less than fifteen pieces, these documents provide a statistical panorama of counterfeiting by brand and model, so offering further points for consideration, that can be incorporated into the preventive strategies developed by the companies concerned.

In parallel, eminently practical use was made of all these summary data in the preparation of a guide for the identification of counterfeit products for use by Mexican officers. This guide was distributed on the occasion of the training session given in Mexico in 2018 (see Highlights heading, page 11).

In 2018, the FH continued its collaboration with the University of Lausanne. In the financial year under review, researchers in Lausanne studied the toxic effects of counterfeit watch components. This research, performed in two phases, involved first an analysis of the chemical composition of a batch of counterfeit watch bracelets. In the second phase, a batch of fake case middles was analysed. A range of sophisticated scientific techniques enabled the presence of metals with insidious effects as well as problematic molecules to be detected, all this in concentrations that far exceeded the levels permitted in Switzerland. Obtained after a robust and rigorous scientific analysis, these results are alarming. They clearly show that the counterfeiters respect no international standards and are utterly indifferent to the usual standards of safety for the materials and alloys they use.



Origin of counterfeit products impounded at European borders (source: Taxud 2018)

Fragmented distribution networks

In face of growing pressure from the rights holders and institutions, sellers of counterfeit products have shifted their distribution activities onto social media. As a result, transactions now take place in a private discussion space beyond our radar, so enabling relatively highly priced pieces to be put on the market while minimising the risks of seizure and hence of financial loss. This changed *modus operandi* has allowed the emergence of a new generation of counterfeit watches. The quality improvements observed in 2018 relate to all the product components: decoration and movement as well as commercial documents and delivery methods. The counterfeiters' professionalism and technical capacities therefore progressed yet again in the year under review.



Standardisation

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

At the level of national standardisation, the main projects involved the reorganisation of work by setting up a task force, the validation of two new standards (NIHS 06-10 and NIHS 06-11) for miniature threads (basic profile, tolerances and reference standard), the merger of ten standards into one single text (NIHS 53-03) for watch industry screws and the merger and transposition into an NIHS guide of the standards for watch industry jewels and bushings. Work on the revision of standard *NIHS 91-30 - Definition of linear accelerations of wristwatches when abrupt gesture and wear shocks* continued in cooperation with an HES student who chose this as the subject of her bachelor's degree project. The new draft standard for quality control of small diamonds also took on a new dimension, collaborating on the ASSURE project of the Diamond Producers Association. Eleven NIHS standards were examined by various watch industry experts in 2018. Four of them, concerning dials and hands, were transposed into an NIHS guide, while two others were withdrawn from the collected NIHS standards and the last five were still being assessed at the end of the year.

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 four corresponding committees 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 representative position statement for the whole of the Swiss industry to the SNV. Some 30 votes were coordinated in this way last year. Two INB/NK 164 plenary sessions were held and the main subjects discussed were enamels incorporating lead, the new draft text concerning the clarity of watch-glasses, nickel release, reactivation of the ISO/TC 174/WG 2 working group concerning diamonds and precious stones and the colour of gold alloys.

Turning to international standardisation, the main event in 2018 was the organisation of two working days on 20 and 21 March at Freiburg im Breisgau. Steady progress is being made with ISO draft texts, including publication of the revised standard *ISO 6425 – Divers' watches* and further work on draft standards *ISO 764 – Magnetic resistant watches*, *ISO 14368-4 – Mineral and sapphire watch-glasses - Part 4: Coating performance* and *ISO 18684 – Timekeeping instruments – Watch external parts made of hard materials – General requirements and test methods*. In parallel, a working group studied a potential improvement to standard *ISO 22810 – Water-resistant watches*.

Finally, as part of the systematic examination process, standard *ISO 3158 – Timekeeping instruments – Symbolization of control positions* was confirmed for five years, while standard *ISO 4168 – Timekeeping instruments - Conditions for carrying out checks on radioluminescent deposits* will certainly be withdrawn and its relevant sections may be incorporated into the revised version of standard *ISO 17514 – Time-measuring instruments – Photoluminescent deposits – Test methods and requirements*, on which work is due to begin in 2019.

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

The Swiss Made designation, hazardous substances, rules of origin, competition law, legislation on money laundering in Switzerland and data protection were just a few of the topics examined by the FH legal service in 2018.

The FH continued to provide extensive information to its members on the Swiss Made designation (see Highlights section, page 8).

2018 also saw wide-ranging action to monitor environmental legislation. The FH responded to consultations organised by various authorities to defend the interests of the Swiss watch industry on several occasions – for instance, in the case of the European Union's RoHS (Reduction of Hazardous Substances) legislation, which defines limit values for several chemical substances that are used in electrical and electronic equipment, including quartz watches. This directive is likely to evolve in the near future, since a consortium was recently tasked with a review of the substances concerned by the European Commission. However, the FH takes the view that the first step should be an examination of the process and criteria for selection of the substances before moving on to the stage of dealing directly with some of them.

Lead was another important matter on which the FH kept a close watch. On 27 June 2018, the European Chemicals Agency and the Member State Committee decided to add the substance to the REACH candidate list, an index of substances that are classed as particularly hazardous. The addition of a substance, provided that it is present in a concentration of more than 0.1%, has immediate consequences for the suppliers and importers of the articles concerned. The information that must be supplied to the consignee of the particular article or to consumers (on request within a time limit of 45 days), must include at least the name of the substance in question and is intended to permit totally safe use of the article concerned. Switzerland, which normally transposes REACH provisions into its own domestic law, has already responded and adapted the chemical products Ordinance accordingly.

The FH therefore contacted its members in September 2018 to inform them of the new situation and call their attention to the legal requirements.

European data protection legislation (GDPR) was the subject chosen for the FH legal seminar (see Highlights section, page 15).

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 watchmaking industry

At the instigation of Didier Berberat, Member of the Neuchâtel States Council, a meeting with ten members of the Federal Parliament was held in Bern on 25 September 2018. Following introductory statements by the FH delegation, discussions centred on the following subjects: implementation of Swissness legislation in the watch industry and action to prevent misuse, the importance of free trade for the Swiss watch industry and ongoing negotiations (in Indonesia, Mercosur and India), imports of counterfeit watch products into Switzerland and the Bühler motion on international online commerce.

Watchmaking associations

For the 20th year in succession, watchmaking associations met at Baselworld at the invitation of the FH to discuss topics of interest to the sector as a whole. The meeting was attended by representatives of the following countries: Germany, China, France, Hong Kong, Italy, Japan and Switzerland.

During the traditional review of economic trends affecting the watch industry, most delegations announced rather contrasting results for 2017. While China, Japan and Hong Kong reported falling watch industry exports, Switzerland welcomed the upturn in business on the Hong Kong market after several challenging years. The delegations remained fairly optimistic for the 2018 financial year, which should produce encouraging results.

Turning to strengthening the Swiss Made label, the delegations signified their interest in receiving the latest information on the subject, especially the possible new calculation criteria.

Connected watches were also discussed and in particular, how to tackle the question of their classification. Switzerland, France and Japan argued for them to be classified in the same category as traditional timepieces, either as a mark based on the NICE International Classification of Good and Services or according to the harmonised tariff of the World Customs Organisation. These countries indicated their wish to make representations to that effect to the different authorities. China also reported a big increase in connected watches for children.

Finally, the participants voiced their concern over the technical legislation that is springing up almost everywhere. This creates numerous difficulties for watch industry companies,

given the lack of any real harmonisation between the various new laws. In particular, the new South Korean legislation on nickel release requires an extremely cumbersome certification process. The same applies to legislation in the United Arab Emirates on electrical and electronic equipment. It was suggested that the various industries concerned should act directly with the authorities of the countries involved to seek a simplification of the regulations.

economiesuisse

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

Switzerland-China Watch Industry Working Group

Established under the bilateral free trade agreement, the working group met for the fourth time at Shenzhen in December.

The Chinese delegation was led by Cao Xuejun, Deputy Director-General at the Ministry of Industry and Information Technologies, and Zhang Hongguang, President of the China Horological Association. For its part, the Swiss delegation was led by Christine Büsser Mauron, Head of the Bilateral Asia-Pacific Economic Relations Section” at the State Secretariat for Economic Affairs (SECO), and Jean-Daniel Pasche, FH President.

The group began by examining Chinese regulatory provisions on hazardous substances (RoHS 2 China), which entered into force in July 2016. Some details were given about its implementation, with particular reference to the “Compliance Management Catalog” which took effect on 15 March 2019; consequently, work on the “Conformity Assessment System” has continued.



Meeting of the Sino-Swiss watch industry working group at Shenzhen

Turning to customs duties and taxes, the Swiss delegation referred to the impact of the charges imposed at present, including in particular the consumption tax, which is unlikely to be reviewed in the near future. SECO and the FH also reiterated their wish for an early re-negotiation of customs duties adopted under the free trade agreement, which has now been in force for four years. On this occasion, the Chinese representatives stated that the flat tax on individual imports (the “Parcel Tax” applied to personal shipments and imports) had been cut on 1 November 2018 from 60% to 50% for watches with a value in excess of 10,000 renminbi and from 30% to 25% for other watches.

The main topics on the working group’s agenda were once again the prevention of counterfeiting and protection of intellectual property, which took up most of the discussions. Subjects discussed included the persistence of highly visible and active counterfeit product markets such as the Silk Market in Beijing and the recent significant increase in lookalike copies, in other words counterfeit copies of iconic models often sold under creatively invented brand names. Another issue raised was the sale of counterfeit watch products on the internet, which, because of its scale, has become the number one problem. On this latter subject, the Swiss delegation stressed, in particular, the legal and administrative difficulties that persist during the intervention procedures seeking to deal with the host platforms. Obviously, the fight to prevent unlawful use of indications of origin is equally important. Unfortunately, unauthorised use of “Swiss Made” in the watch industry remains far too widespread.

Clearly, much work remains to be done on the protection of intellectual property in China. Within its field of competence, the working group has so far managed to achieve some advances which have not yet achieved their full effect, such as the provision by the Hong Kong FH Center of a hotline to help with authentication of marks/models and transmission by the FH of lists of Chinese brands that are active in counterfeiting or make unlawful use of the Swiss Made designation. At this latest meeting, the Chinese delegation tabled a proposal for cooperation on training in product authentication.

The second part of the meeting was dedicated to a visit to Fiyta Holdings, during which the participants were able to familiarise themselves with the firm’s various activities: manufacturing, assembly, distribution and so on.

Standing Committee of the European Watch Industry

At the invitation of Assorologi, the German, French, Italian and Swiss delegations to the Standing Committee on European Watchmaking (CPHE) met in the Piedmont capital on 12 October for their annual gathering. Chaired by Mario Peserico, the meeting first provided an opportunity for an exchange of views on the economic situation of the watch industry and the outlook in different parts of the world. The special situations created by Brexit, by the restoration of US sanctions against Iran and, more generally, by US trade policy, were the subject

of numerous exchanges. The implementation of the Swiss Made label in the watch industry and the future development of trade shows were also discussed.

Among the technical subjects raised, the CPHE noted that, in its ruling of 23 October 2017, the Luxembourg Court finally rejected the complaint by the European Confederation of Watchmakers-Repairers concerning the refusal of Swiss producers to supply spare parts to unapproved watchmakers-repairers. The Court accordingly confirmed the position adopted by the European Commission. In August, the Swiss Competition Commission (Comco) had, for its part, concluded the preliminary investigation of the non-delivery of spare parts to unapproved watchmakers on the Swiss market. By dispensing with the opening of a formal investigation, Comco therefore closed the matter, thus confirming the legality of selective distribution agreements.

The members of the CPHE also discussed the matter of the classification of connected watches in the nomenclature of the harmonised customs system. The divergent interests of the main countries concerned (United States, South Korea, European Union, Japan and Switzerland, among others) were fuelling the controversy over their classification as horological products (Chapter 91) or electronic products (Chapter 85). As the FH had already done in its dealings with the Federal Customs Administration, the CPHE agreed to submit its position

to the European customs authorities in favour of a classification in Chapter 91, mainly on the grounds that connected watches, which show the time in an autonomous manner and are similar in size and external appearance to a traditional wristwatch, do indeed have all the characteristic features needed to be classed in that chapter.

Turning to chemical substances, lead, which is habitually found in the form of alloys in certain watch movement components, is increasingly becoming the target of action by the European Commission. While the use of lead is already regulated by RoHS for electrical and electronic products, it was placed on the REACH candidate list last June; in the long run, this may result in the prohibition of its use on the EU market. Today, the REACH regulation already imposes restrictions on the use of lead in jewellery; by analogy, these restrictions likewise apply to watches. The watch industry, however, currently benefits from an exception (until 2021) to the extent that the lead in question is incorporated into movement components and therefore does not come into contact with the skin. A decision is awaited on the renewal of this exception, which has been requested by the FH and CPHE.

Finally, in accordance with the alternation arrangements stipulated in the articles of association, the Swiss delegation, i.e. the FH, agreed to take over the chairmanship and provide the general secretariat of the CPHE for the period 2019-2021.

FH centres abroad

FH Centre in Hong Kong

In 2018, the FH Centre in Hong Kong pursued a series of activities to benefit the sector and members of the Federation. First, it assisted the many delegates from FH member companies who were travelling to the region and their Asian representatives. This regular assistance covers such varied domains as putting commercial or industrial partners in contact with each other in Hong Kong, China or elsewhere in the region, identifying qualified personnel, helping with company formations and accompanying personnel on their visits to markets in South-East Asia.

At the same time, the FH Centre maintained regular contacts with the media, local professional organisations, the authorities and diplomatic representations throughout the region.

The Hong Kong Centre also responded to many requests made by FH members, especially in the legal field and on preventing counterfeiting throughout the zone. In particular, it provided its support for many brands to facilitate their registration with the Chinese and Korean customs authorities. Similarly, it conducted several dozen investigations of local companies and filed a number of oppositions each month against the registration of marks in Class 14 (watch industry), both in Hong Kong and elsewhere in the region.

FH Centre in Tokyo

On the Japanese market, the FH Centre in Tokyo provided support to FH members and their local agents by supplying commercial information, establishing business contacts and providing linguistic assistance, among other things. It also acted on requests from the media and maintained a close relationship with local professional organisations and diplomatic representations, as well as responding to specific requests received on a daily basis from Japanese consumers or companies.

The FH Centre also assured regular follow-up in the area of after-sales service, now that some brands no longer provide maintenance services for old models. This is one of the reasons why the FH Centre manages an after-sales service pool, to the benefit of a number of Swiss brands.

In the spring, the FH Centre in Tokyo published the 2018 edition of its fifth biennial survey of watch consumption on the Japanese market (Japan Watch Consumer Awareness Survey 2018). Once again, the survey broadened its field of investigation to provide a more detailed analysis of some areas suggested by local distributors of the brands. The results and analyses are, of course, available on request.

Finally, at the end of the year it organised a seminar for local distributors and agents. A presentation of the activities and services provided for the benefit of the brands, changes in the Japanese market in recent years and a discussion on current market trends were among the items on the programme for the 40 or so participants.





The Swiss watch

industry in 2018

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 good results overall in 2018. However, this success was not shared by all the different segments, channels, markets or players. While export volumes continued to lose ground, even falling below a historically low threshold, the value curve proved more favourable. Nonetheless, it reached a turning point last summer and since then, the trend has shown a gradual slowdown.

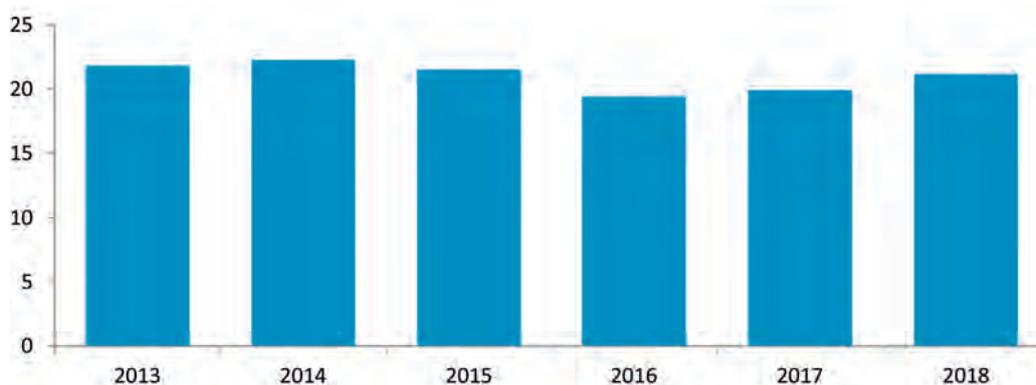
The short and medium-term outlook is fraught with many uncertainties, while risks in the general context rose sharply in the early part of the new year. The shutdown and political face off in the United States, the yellow vests movement in France, preparation for Brexit in the United Kingdom, the trade war between China and the United States and the global economic slowdown – especially in China – are all factors that disrupt the progress of business and make the situation over the coming months hard to predict.

The main players in the industry are well aware of this situation and have already placed their reservations on record. The Crédit suisse analyses and those made by the EPFZ Short-term Economic Study Centre have confirmed the need for caution, as do the low average expectations of Swiss retailers on the one hand and watch industry companies on the other.

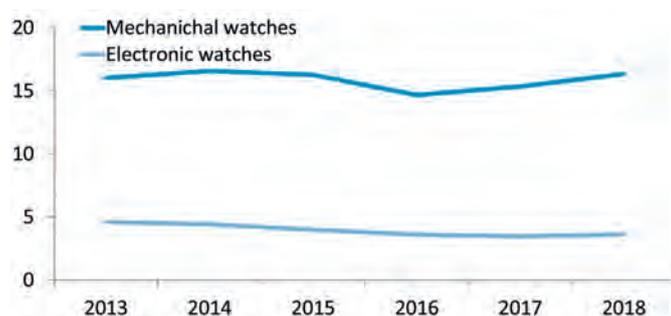
At the same time, some brands also see attractive opportunities and are confident for 2019.

Despite all this, the luxury goods market as a whole is developing well and forecasts are now highly optimistic. This finding is somewhat confusing, insofar as the Swiss watch industry is not keeping pace with the momentum in the wider market. It definitely appears to be exposed to keener competition in all market segments. At the top of the range, personal luxury goods in the jewellery, leatherwear or fashion segments are the preferred purchases of wealthy customers, together with a new emphasis on experiences and services. In the entry level range, fashion watches – non-Swiss made - and smart-watches are also exerting real pressure on Swiss products.

While the general environment is synonymous with challenges to the Swiss watch industry, the sector is also having to take up the gauntlet of adapting its own distribution system, which has rapidly become a major factor in reaching out most effectively to clients and satisfying their many different expectations. The principal factors shaping distribution today are the integration of digital channels and the increasingly pressing need to cover every possible channel. In addition, consumers are showing a heightened awareness of sustainable development and calling for greater transparency on the part of manufacturers.



Swiss watch exports (in billion francs)



Exports of wristwatches (in billion francs)

Among the most significant developments in the watch industry landscape, we also note the rapid growth and structuring of the pre-owned market. Today, major platforms are offering certified, guaranteed products that reassure consumers. This niche segment has real potential for the future.

In a complex and uncertain environment, the Swiss watch industry is having to contend with many challenges. While the longer-term outlook remains positive, prudent optimism must definitely be the order of the day for 2019. Combined with the economic slowdown and underperformance of the wholesale sector, the very unfavourable base effect, especially in the first half of the year, will have an adverse impact on export trends.

Swiss watch exports

The outturn for watch industry exports in 2018 was in line with forecasts. The steady pace of growth early in the year saw a decline from the summer onwards, due to a less favourable base effect, but remained positive overall. Some signs of a slowdown in China, in particular, played a role in this trend while, over the same period, the United States saw significantly faster growth. Macroeconomic, commercial and political uncertainties influenced developments in the sector, which also had to deal with competition from other luxury goods and connected objects. 2018 was also marked by significant changes in distribution. The value of Swiss watch exports over the 12 months was CHF 21.2 billion, an increase of 6.3% over 2017. Growth was particularly strong during the first half of the year (+10.6%), but slowed to +2.3% in the second half.

Swiss exports of watches

Wristwatches accounted for 95% of total watch industry exports, by value, reaching CHF 19.9 billion, an increase of 6.1%. Volumes failed to keep pace, with the sector recording a decline of 2.3%, to 23.7 million items. This was 570,000 fewer timepieces than in 2017. The reduction in volume was due to quartz watches, with the number of items declining by 5.0%, despite an increase in value (+4.2%). Mechanical timepieces, conversely, increased by both value (+6.6%) and volume (+3.9%).

Watches by price range

Watches priced below CHF 500 (export price) fell back, particularly in the number of items exported (-5.0%). Above CHF 500, results were similar and very positive: +7.5% by value and +8.1% by volume.

Trend of the different materials

The principal materials – precious metals, steel and bimetal – all saw significant increases in value. Steel, used for over half of all watches, also saw an increase in volume (+4.3%). Conversely, the number of items in the Other materials category declined by 15.2%, while the Other metals group fell by 12.7%.



Exports by price segment (variation compared with 2017)



Total value of exports in 2018 (in million francs)

Main markets

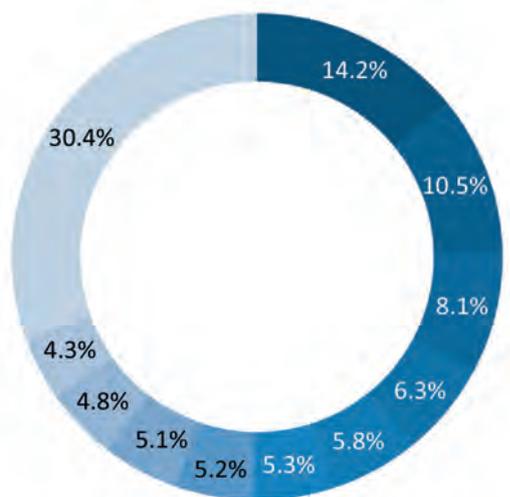
The growth in Swiss watch industry exports was led by the Asian market, while the increase in America was offset by the downturn observed in Europe. Asia represented 53% of the sector's turnover and grew by 12.2%. America (+7.2%), led by the United States, also contributed significantly to overall growth, accounting for 14% of exports of Swiss watches. Europe (-2.9%) remained an important market, with a 31% share, but its situation was less positive in 2018.

Most Asian markets grew, more or less strongly. Hong Kong (+19.1%) was a star performer, with very strong growth throughout the year. China ended the year on slightly lower

growth (+11.7%), with a gradual slowdown from January onwards. Japan (+9.1%) picked up significantly, following the reductions in recent years, and peaked in the summer. Singapore (+0.7%) and Taiwan (+0.8%) were stable, while South Korea (+25.7%) recovered strongly.

The United States (+8.2%) returned to growth after three years' decline, with the pace of growth accelerating throughout 2018.

Last year's declining markets were all in Europe. The downturn in the United Kingdom (-4.4%) has changed very little since the spring. The Southern European markets – Italy



Main export markets in 2018

(-14.3%) and Spain (-11.4%) – were particularly badly affected. By contrast, Germany (+4.3%) experienced steady growth. France (+9.1%) benefited from a strong first six months, clearly buoyed by a significant increase in re-exports, while the second six months were practically flat.

Other exported products

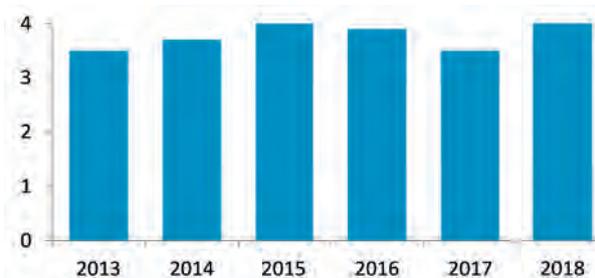
Although wristwatches accounted for just under 95% of the value of watch industry exports overall, other products were also shipped abroad in 2018. These included both finished articles – such as clocks, alarm clocks and pocket watches – and spare parts. The total value of these items was CHF 1.2 billion, up 8.9% on 2017.

Specifically, a sharp downturn (-14.3%) in export sales of alarm and other clocks was reported for the third year in a row. Pocket watches (-22.4%) followed the same trend. At the same time, the number of exported movements increased by 3.7%, to just under five million pieces.

Exports of watch cases and wristlets rose strongly, mainly as a result of processing traffic.

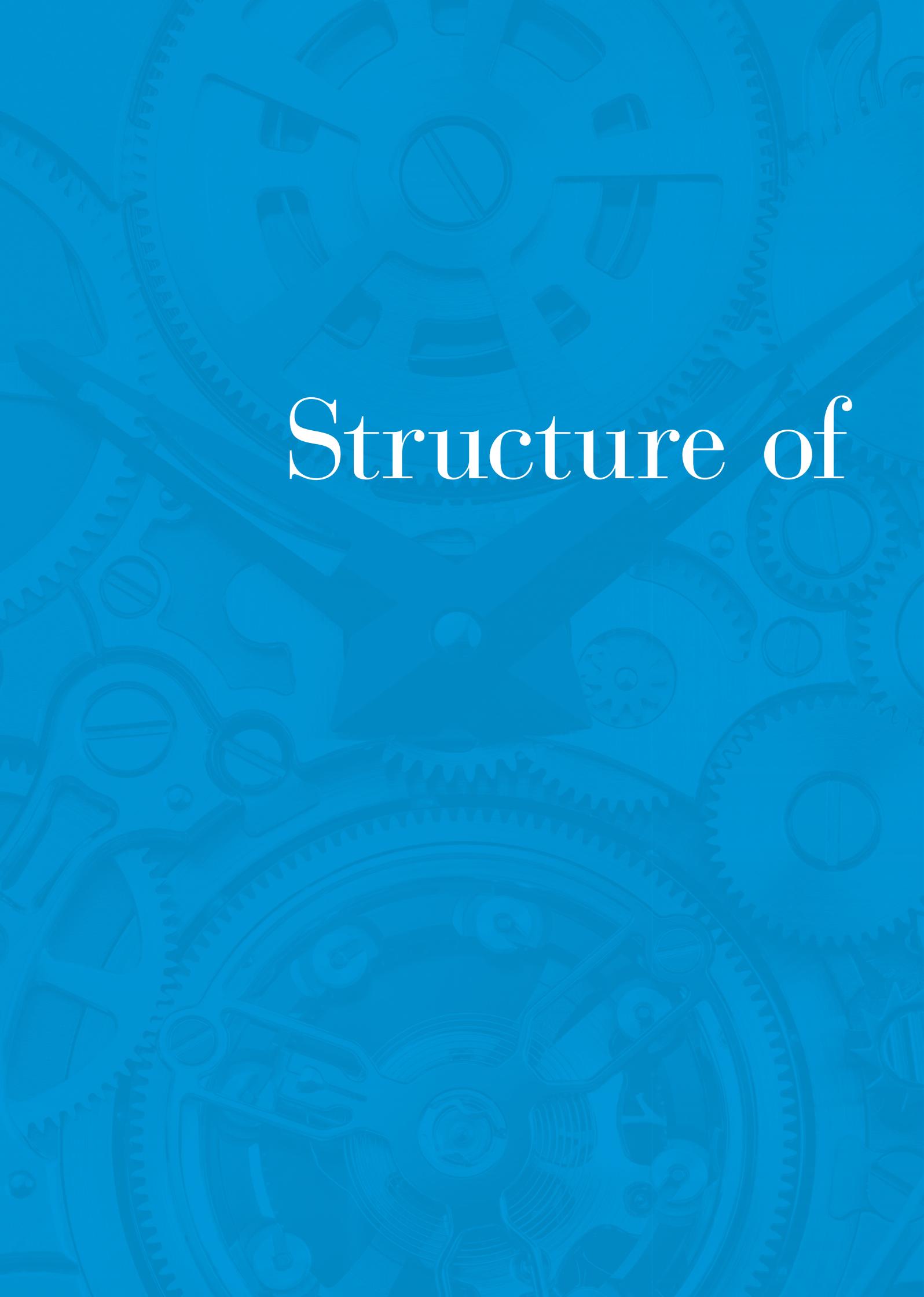
Watch industry imports

Swiss watch industry imports rose steeply in 2018. Their total value passed the CHF 4 billion mark, 13% higher than in 2017. Half of this growth was generated by wristwatches (+11.5%), although their volumes fell (-3.3%). Wristlet imports also contributed to the overall rise, largely because of processing traffic and components.



Swiss watch imports (in billion francs)





Structure of

the FH in 2018

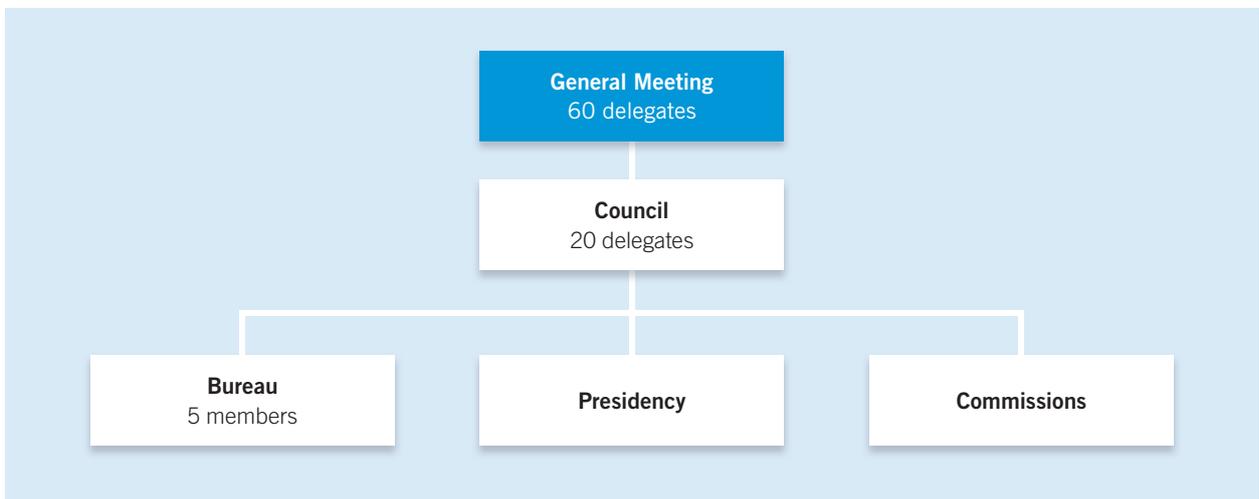
An organisation representative of the Swiss watch industry as a whole, the FH has the following main tasks and objectives: helping to defend and develop the sector, establishing a permanent link between its members in order to promote their shared interests, representing the Swiss watch industry in its 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 2018

On 31st December 2018, the FH included 428 companies, associations and institutions (approximately 90% of the Swiss watch industry manufacturers), including 167 firms in the finished products sector. In terms of products, markets and busi-

ness 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 31st December 2018, the FH General Meeting was composed of the following delegates (some with more than one vote):

Grégory Affolter

Pignons Affolter SA

Karlheinz Baumann

Richemont International 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

Pascal Dubois

Dubois Dépraz SA

Joris Engisch

Jean Singer & Cie SA

Christian Feuvrier

Nivarox-FAR SA

David Guenin

Gimmel Rouages SA

Jean L. Guillod

Guillod-Günther SA

Philippe Gurtler

Rolex SA

Thierry Kenel

The Swatch Group SA
(FH Vice President)

Christan Klever

Breitling SA

Aurélien Le Bigot

Zenith, Branch of
LVMH Swiss Manufacture SA

Giuseppe Maesano

Universo SA

Alain Marietta

Métalem SA

Pierre-André Meylan

Piguet Frères SA

Olivier Montavon

Simon et Membrez SA

Corine Neuenschwander

Neuenschwander SA

Marianne Pandiscia

Multitime Quartz SA

Jean-Daniel Pasche

FH President

Flavio Pellegrini

MGI Luxury Group SA

Adrianna Pozza

Victorinox Swiss Army SA

Daniel Rochat

Patek Philippe SA Genève

Sébastien Roche

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

Pierre Verdière

La Montre Hermès SA

Andreas Voll

IWC Schaffhausen,
Branch of Richemont International SA

Claude Vuillemez

Richemont International SA

Roger Wermeille

Le Castel Pendulerie Neuchâteloise

Eric Yersin

Raymond Weil SA

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 31st December 2018 the Board was composed of the following members:

Raynald Aeschlimann

Omega SA

Denis Bolzli

Aéro Watch SA

Cédric Bossert

Richemont International SA

Pierre-André Bühler

ETA SA Manufacture horlogère suisse

Christian Feuvrier

Nivarox-FAR SA

Philippe Gurtler

Rolex SA

Thierry Kenel

The Swatch Group SA

Christian Klever

Breitling SA

Massimo Longo

Roventa-Henex SA

Alain Marietta

Métalem SA

Olivier Montavon

Simon et Membrez SA

Arianna Pozza

Victorinox Swiss Army SA

Daniel Rochat

Patek Philippe SA Genève

Sébastien Roche

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

Andreas Voll

IWC Schaffhausen, Branch of Richemont International SA

Claude Vuillemez

Richemont International SA

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 2018, its composition was as follows:

Jean-Daniel Pasche

FH

Carole Décosterd

Rolex SA

Thierry Kenel

The Swatch Group SA

Alain Marietta

Métalem SA

Daniel Rochat

Patek Philippe SA Genève

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 Bratschi

Legislative monitoring Commission

Olivier Blanc

Legal Affairs Commission

Jean-Daniel Pasche

Standardisation Committee

Silvano Freti

Anticounterfeiting Group

Jean-Daniel Pasche



The Divisions and the Departments

On 31st December 2018 the FH employed 31 people full-time in Bienne (31 in 2017). 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
- ♦ 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
- ♦ France Horlogerie Industries du Temps et des microtechniques
- ♦ 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

- ♦ Anti-Counterfeiting Group (ACG)
- ♦ Brandowners Protection Group (Gulf Cooperation Council)
- ♦ INDICAM - Associazione italiana per la Lotta alla Contraffazione
- ♦ Institut de police scientifique, Lausanne
- ♦ STOP PIRACY – Plate-forme suisse de lutte contre la contrefaçon et la piraterie
- ♦ The Anti-Counterfeiting Network (REACT)
- ♦ Union des fabricants

Legal organisations

- ♦ 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)





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