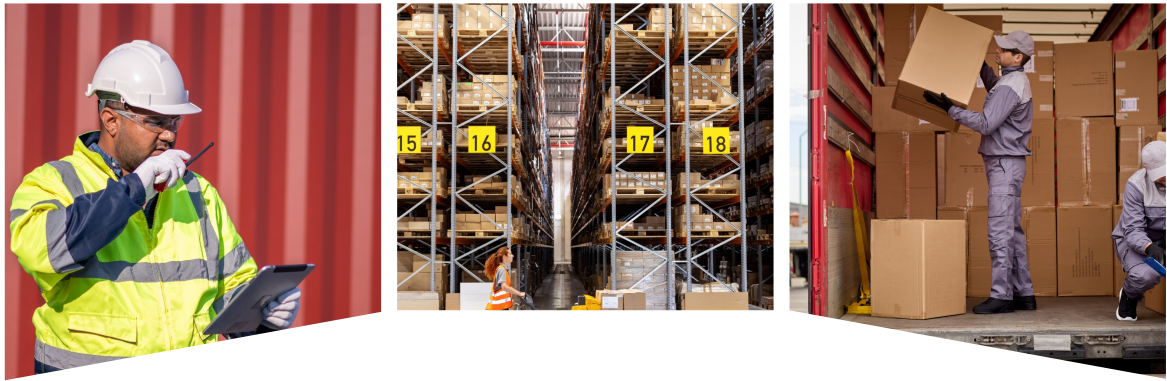




International Market Access

Security policy realities call for ***a revision of the War Material Act***

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At a glance

- The geopolitical situation has changed fundamentally: War in Europe, conflicts in the Middle East, and hybrid attacks are increasing security risks, including for Switzerland.
- A strong Swiss defense industry strengthens the country's defense capabilities and makes Switzerland a reliable partner in international procurement and supply chains.
- The revised War Material Act safeguards Switzerland's industrial defense base, thereby strengthening both the country's security and its attractiveness as a business location.

The world is more unstable than it has been in decades. War is raging in Europe, the conflict over Iran is escalating in the Middle East, and hybrid attacks already pose a concrete threat to Switzerland. Switzerland's security policy must be adapted to this new reality.

War in Europe also threatens Switzerland

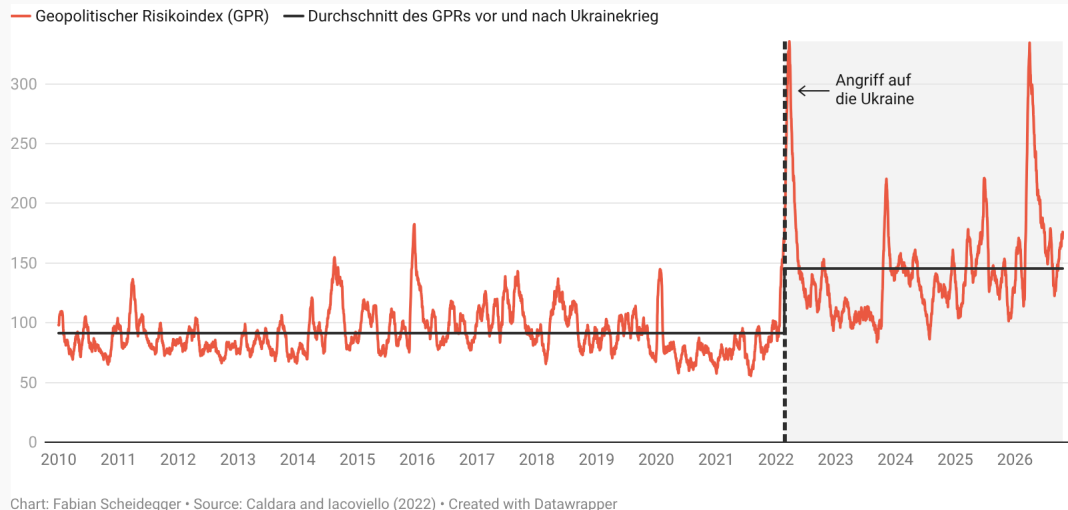
Since the outbreak of Russia's war of aggression against Ukraine, the geopolitical situation has changed dramatically. War has returned to Europe, and its impact extends far beyond Ukraine. Although conventional warfare is mainly confined to the eastern part of Ukraine, incidents continue to occur in the border regions of Poland and the Baltic states. The impact of Russia's conventional warfare is thus reaching Europe and putting the security alliance to the test.

Unconventional or hybrid warfare extends much deeper into Europe and also threatens Switzerland. In August, a drone carrying explosives was seized at the Leipzig/Halle Airport; German authorities blame Russia for this incident. Lithuania also suspects Russia is behind a recent arson attempt at a SpaceX Starlink base in Vilnius. Influence campaigns and cyberattacks are affecting all of Europe, including Switzerland.

Chaotic Global Situation

Further conventional conflicts have emerged in the Middle East. Geopolitical risk has risen sharply since 2022 and is reaching new highs this year (see Figure 1). The transatlantic alliance is suffering amid this tangle of military and trade conflicts. To ensure Switzerland can defend itself in an emergency, it must be able to manufacture some defense equipment itself and procure others from partners. In the past, it could rely on alliances based on partnership; today, it must also offer its partners added value in terms of security policy.

Figure 1: Geopolitical risk has increased significantly



Defense Capabilities Through a Domestic Defense Industry

Having its own defense industry makes Switzerland safer in two ways. On the one hand, it ensures that the country's defense capabilities—at least in key areas—remain independent of other countries. On the other hand, it also safeguards procurement through partnerships. The Swiss economy is highly innovative and supplies indispensable components for international value chains in the field of defense equipment. The defense industry in Switzerland brings together a wealth of expertise and creates jobs and training opportunities. Thanks to its highly specialized industry, Switzerland is an important part of international supply chains. Excluding Switzerland would also have negative consequences for our partners.

Safety is a location factor

Switzerland is a small country, and its domestic demand for defense equipment is small relative to global demand. More than half of the demand for Swiss defense equipment comes from abroad. Without export opportunities, the Swiss defense industry cannot survive. And without its own defense industry, essential strategic defense capabilities would be lost. On November 29, Switzerland will vote on the revision of the War Material Act (KMG). Without amending the KMG, Switzerland will lose its reliability as a security partner and risk losing its industrial defense base. This would result in the loss of important capabilities for national defense. However, security is also a key factor in attracting business: companies invest only where stable and secure conditions exist. The revised KMG therefore strengthens both Switzerland's defense capabilities and its attractiveness as a business location.



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