



Fact Sheet

July 2018

# Offset transactions

## 1. What is offset?

Offsets or industrial participations are all types of compensation transactions in connection with defence procurements abroad.

Direct offsets are primarily transactions which are directly connected to the respective defence procurement. Direct offsets are realised if they create capacities and/or know-how contributing to maximum autonomous maintenance, quality maintenance and upgrade of a system and to the growth of the armed forces and of the core capabilities of the industry relevant to security and armament.

Indirect offsets are not related to the respective defence procurement. This type of industrial participation primarily applies to industrial contracts, offset-relevant financing activities, technology transfers, joint developments or marketing and sales support etc.

Indirect offsets can be divided into:

- indirect offsets relevant to security and armament policy and
- civilian industrial indirect offsets

Therefore weighting of the different participation alternatives always has to take into account security and armament political considerations.

In Switzerland indirect offsets are conducted on condition that Swiss industry is competitive. They serve to open doors to new markets, make possible the access to high-technology and the preservation of existing or development of new know-how, and provide additional contract- and export volumes, but above all, additional sales.

One hundred percent of the contract value are to be compensated by direct and indirect offsets.

Indirect offsets supplement the direct offsets and as a rule they are clearly higher than the direct ones as far as volumes are concerned. armasuisse reserves the right, from case to case, to establish directives in view of the accomplishment of defence-related indirect offsets. This procedure sustainably promotes the international competitiveness of Swiss enterprises. Offsets produce a high economic benefit and contribute to the maintenance of Switzerland as an industrial base and to the preservation of jobs.

With its offset policy armasuisse establishes specific directives for the implementation of offset in Switzerland. Through efficient and effective controlling armasuisse guarantees the achievement of offset-relevant goals. Transparency in handling offset transactions makes it possible to deal successfully with the various stakeholder groups. Specific control mechanisms and their application permit to check the achievement of objectives, and if required initiate the necessary steps in support of achieving them.

### 2. Offset process

The handling of offset transactions in Switzerland can be broken down into different phases. During an evaluation phase, first directives for offsets, based on considerations regarding the technology and industrial base are sketched, for instance in the form of an offset concept. They are then forwarded to the competing enterprises or industrial partners. As far as they exist, directives with respect to security policy and armament policy are also implemented during this phase.

During the decision phase the procurement- and offset contracts are prepared and the different tenders are evaluated by means of a value-benefit analysis. This analysis becomes part of the overall assessment of the procurement. Part of the assessment of direct and indirect offsets is done separately, because they pursue different objectives. The extent of direct and indirect offsets is fixed during this phase.

During the implementation phase the foreign prime contractor places contracts with Swiss enterprises and furnishes proof regarding the realisation and extent of offset transactions and their conformity with the directives. Operative controlling takes place under the lead of armasuisse, in cooperation with the Offset Office Bern.

This means that

- the industrial participation can be prepared, supported and implemented for the best possible and durable benefit of Swiss industry,
- the industrial participation remains anchored in the Swiss procurement policy and continues to strengthen the Swiss industry base at home and abroad.
- adequate reporting on industrial participation demonstrates its benefit to all players (armasuisse, associations, the industry, and the Swiss citizen),
- foreign suppliers fulfill their obligations regarding industrial participation in the best interest of Swiss industry,
- realised industrial participations are reported properly and correctly,
- statistical analyses and reportings lead to an effective control of supplier's obligations.

#### For additional information:

##### **armasuisse, Legal Affairs, Bern**

Per Magnus Larsson  
Tel.: +41 58 464 56 83  
E-Mail: [permagnus.larsson@armasuisse.ch](mailto:permagnus.larsson@armasuisse.ch)

##### **Offset Office Bern**

Heinz König:  
Tel.: +41 58 464 70 38  
E-Mail: [heinz.koenig@armasuisse.ch](mailto:heinz.koenig@armasuisse.ch)