

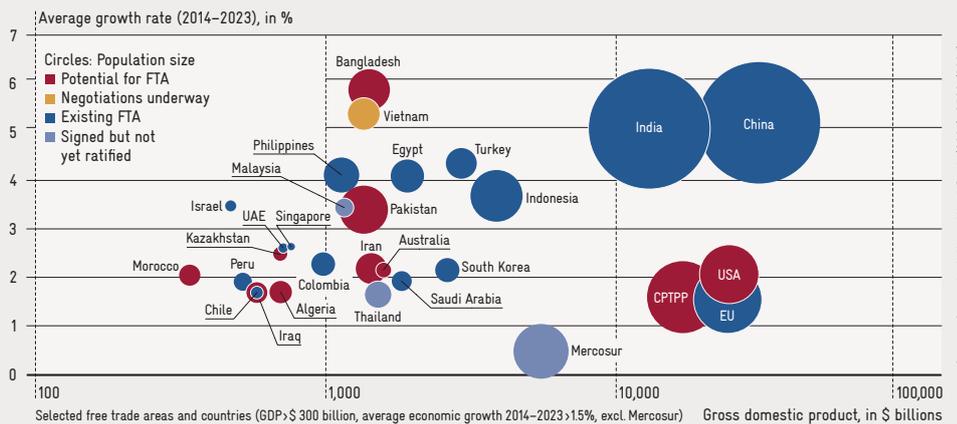
# Benefits of Free Trade for Switzerland

*The idea of free trade is under pressure worldwide, and resistance is also growing in this country. However, Switzerland in particular stands to gain from agreements with major trading partners.*

## Situation

As a small but open economy, Switzerland has always been dependent on international trade. For one thing, cost reasons mean it makes no sense to produce all the goods and services required domestically. For another, many companies producing in Switzerland are dependent on exporting their products. Both points are reflected in a high foreign trade ratio (imports and exports of goods and services in relation to gross domestic product) of 134% (2024). Trade facilitation measures, such as those agreed as part of free trade agreements between Switzerland and other countries, bring added economic benefits for both contracting parties.

## Potential of the Swiss free trade network



*The red and gray circles show five potential free trade partners with which Switzerland has yet to enter an agreement. Populous countries such as the USA and the CPTPP free trade bloc would be particularly interesting candidates for future trade agreements (FTAs) due to their high average GDP growth rate over the last ten years and their large internal markets.*

## Facts

60%

The Swiss free trade network covers a total of 78 countries and around 60% of the global market. With 27 countries, the EU is its largest partner; it accounts for more than half of Switzerland's foreign trade.

- Imports allow for a wider and cheaper range of products to be offered in Switzerland and promote prosperity. Exports provide high-income jobs and create value. Free trade agreements generally double the amount of goods exchanged within ten years.
- Since it is no longer realistic to aim to reach multilateral agreements within the framework of the World Trade Organization, many countries, including Switzerland, rely on plurilateral or bilateral agreements.

- The unilateral abolition of all tariffs on imported industrial products from 2024 will reduce the cost of components for Swiss industry. It is estimated that this will yield economic benefits worth over CHF 1 billion per year.
- The high tariffs and import restrictions on agricultural goods will remain in place. In order to protect the agricultural sector, Switzerland has established the world's most complex customs regime at the expense of households nationwide.

## Recommendations

Switzerland has an **extraordinarily dense network of free trade agreements**, many of them with small partners such as Montenegro (gross domestic product of \$ 7 billion), North Macedonia (\$ 15 billion) and Albania (\$ 23 billion). **Singapore** covers a much larger share of the global market with a smaller number of agreements. Switzerland needs a stronger focus on major partners such as the

**USA**, the **CPTPP free trade bloc** and Mercosur. Two groups in particular oppose comprehensive trade agreements in Switzerland: the **agricultural lobby**, which does not want the market to be opened up, and **environmental/social activists**, who are generally critical of globalized trade. **Sectoral agreements** that open up individual sectors or the formation of a **climate club** could help here.

