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The Facts of the Matter Distilled

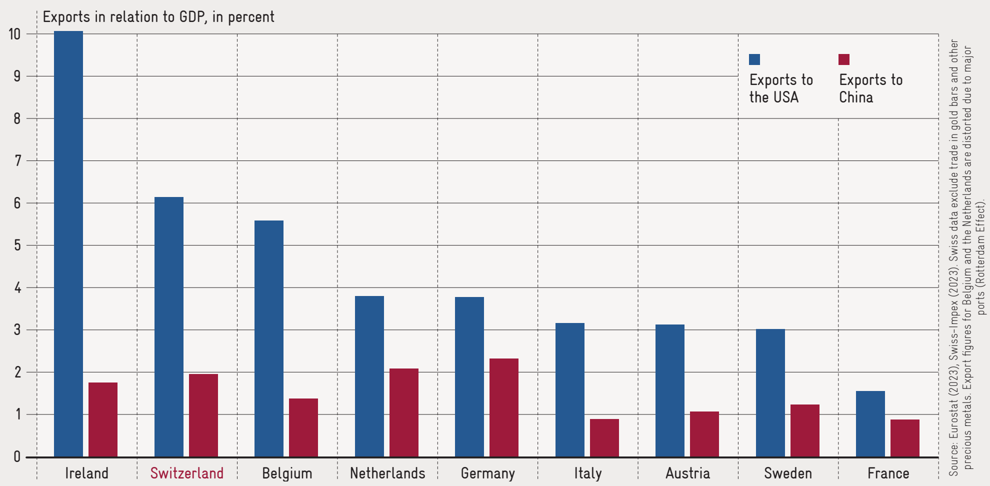
Switzerland in the Global Trade Conflict

As a small open economy, Switzerland is highly exposed to growing trade tensions. This makes smart diplomacy and strong relations with reliable partners all the more important.

Situation

The rules-based trading system was already under pressure before Donald Trump's second term as US president. Governments had increasingly begun to intervene in global trade in a targeted manner. This shift was driven by a new awareness of economic and technological dependencies. Security considerations moved to the forefront - ushering in a new form of economic power politics. In addition to tariffs, countries are now also using export and investment controls, as well as state aid. For Switzerland, whose prosperity depends on open market access and stable rules, this is a dangerous development.

The USA is a key export market for Switzerland



Compared to other European countries, Swiss goods exports to the two global powers are of above-average importance in terms of GDP. Notably, in 2023 Switzerland exported roughly three times as much to the United States as to China.

Facts

> 17.3%

With exports amounting to 17.3% of GDP in 2023, the EU remained Switzerland's most important export market. At the country level, the US ranked first (6.1%) – ahead of Germany (5.4%).

- Switzerland is one of the **world's most open economies.** It maintains a dense network of free trade agreements and has eliminated industrial tariffs. The average tariff rate is only 1.7%.
- The situation is different in **agriculture:** Here, Switzerland acts protectionistically. The trade-weighted tariff rate is 24.8% – almost three times higher than in the EU and six times higher than in the US. This agricultural protectionism has long hindered the conclusion of new trade agreements, such as with the US or Mercosur.
- By far the **most important export sector** is the chemical and pharmaceutical industry, which accounts for more than half of all goods exports. The machinery and electronics industry ranks second, with 11%.
- In **services trade,** Switzerland imports more than it exports. Services account for over one-third of total trade volume, with software licenses and trademark usage playing a central role.

Recommendations

Switzerland should further **diversify its trade relationships** while maintaining its existing network – especially with the EU, its most important trading partner. **Active engagement in support of the multilateral trading system** and the rules of the World Trade Organization remains essential, as does **reducing protectionist barriers** in agriculture. To avoid being squeezed between global powers, Switzerland needs **diplomatic skill and strategic foresight.** Only then can it limit the risks of sanctions, preserve its room for maneuver, and **safeguard its economic relationships** in the long term.

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