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WORKING PAPER

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From:	Commission
To:	Working Party on the European Free Trade Association (EFTA)
Subject:	Overview of EU-Switzerland trade and economic relations - Non paper

Overview of EU-Switzerland trade and economic relations

Switzerland is a high income, open economy with GDP totalling over €650 billion in 2020 (see Table 1). GDP per capita is the 14th highest in the world and is over 50% higher than that of the EU. In addition, Switzerland has relatively low levels of unemployment and inflation.

Table 1: Main economic indicators EU and Switzerland, 2020

Indicator	EU27	Switzerland
GDP, current prices (€ billions)	13,279	656
GDP per capita (€ 000s)	38,689	76,172
Inflation rate (%)	0.7	-0.7
Unemployment*	7.9	3.1

Source: International Monetary Fund, World Economic Outlook Database, April 2020.

Note: GDP Data converted to Euro using €1 2020 = 1.1422\$ and 1.0705CHF (Source: Euro/ECU exchange rates - annual data [ert_bil_eur_a]).

* Unemployment for Euro Area

1. Trade in goods and services

The EU is Switzerland's most important trading partner accounting for almost 50% or about €126 billion of its imports and about 42% or some €114 billion of its goods exports (see Table 2). On the other hand, Switzerland is the EU's fourth largest trading partner after the USA, China and the UK. The Swiss market represents about 7% of EU exports and 6% of its imports.

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Table 2 also shows the breakdown of EU–Switzerland trade by sector. Chemicals account for 27% of EU imports and 47% of EU exports to Switzerland. This is followed by machinery and transport equipment and miscellaneous manufactures, which account for 20% and 18% of total bilateral goods trade. In terms of services, transport services account for the largest share of bilateral trade between the EU and Switzerland followed by travel and financial services. These three sectors combined account for almost 40% of total bilateral services trade.

The EU27 has a goods trade surplus with Switzerland of €34 billion, with machinery and transport equipment showing a positive balance of €18 billion, followed by other

manufacturing categories¹ with positive trade balances of between €10-12 billion. It is important to note that Swiss goods imports from the EU do not equal EU exports to the Switzerland due to differences in reporting imports and exports. Both these figures are obtained from different databases which have different reporting methods and timing. As a result, the EU27 and Swiss statistics on trade in goods in this section should be interpreted cautiously.

Services statistics must also be interpreted with caution. While Eurostat data shows that the EU also has a trade surplus across most services sectors, WTO-UNCTAD-ITC data, shows that Switzerland too has a surplus. Therefore, we only show the EU as a reporter in Table 2. The reason why there is a bilateral surplus in services trade for both EU27 and Switzerland is due to asymmetries between the reported data (surveys) from the two separate data collecting agencies.

Table 2: EU27 and Switzerland bilateral trade, (Services 2019/Goods 2020), (€ billion and %)

Reporter	Partner	Goods/Services	Exports		Imports		Reporter balance
			(€ billion)	(%)	(€ billion)	(%)	(€ billion)
Switzerland	World	Goods 2020	275	100.0	254	100.0	21
Switzerland	EU27	Goods 2020	114	41.5	126	49.7	-12
EU27	World	Goods 2020	1,932	100.0	1,714	100.0	218
EU27	Switzerland	Goods 2020	142	7.4	109	6.3	34
EU27	Switzerland	Food and live anim	6	4.5	4	3.4	3
		Beverages & tobacco	2	1.3	1	0.6	1
		Crude materials	2	1.3	1	1.2	1
		Mineral fuels	4	2.6	1	0.8	3
		Anim. & veg. fats&oil	0	0.1	0	0.0	0
		Chemicals	38	26.6	51	46.6	-13
		Manuf. class. by mat.	17	12.0	8	7.0	10
		Mach. & transp. Eq.	34	24.1	17	15.3	18
		Misc. manufactures	28	20.0	17	15.4	12
		Commodities & transac	10	6.7	10	9.6	-1
		Other goods, n.e.s.	1	0.7	0	0.1	1
Switzerland	World	Services 2019	109	100.0	93	100.0	16
EU27	World	Services 2019	1,010	100.0	907	100.0	103
EU27	Switzerland	Services 2019	113	11.2	63	7.0	50
EU27	Switzerland	Transport	18	15.8	7	11.1	11
		Travel	16	14.2	9	13.8	7
		Financial services	5	4.4	13	20.2	-8
		Telecom	15	13.6	1	1.3	14
		Other business serv.	34	30.4	19	30.1	15

¹ These categories include SITC6 (Manufacturing goods classified chiefly by material) from which non-ferrous metals and metal tools dominate and SITC8 (Miscellaneous manufacturing articles) from which photographic equipment, clothing, medical instruments and jewellery are the most important products.

	Other services sect.	24	21.3	15	23.5	9
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Source: Eurostat, IMF Direction of Trade Statistics and WTO-UNCTAD-ITC. *Note:* Swiss goods imports from the EU do not equal EU exports to the Switzerland due to differences in reporting imports and exports. The goods sector breakdown follows the Standard International Trade Classification (SITC). The services sector breakdown covers the most important services sectors traded.

2. Trade in value added

Table 3 shows that just over 75% of total Swiss exports consists of domestic value added content. This varies from 68% in manufacturing to 84% in business services. The EU accounts for just over 13% of the value added in Swiss exports with Germany (4.7%), Italy (1.8%) and France (1.5%) contributing the most foreign value added amongst EU Member States.

This also varies by sector as the EU27 value added share of Swiss manufacturing exports is higher than for exports of agriculture and business services. The same is true at Member State level. Germany's share of value added has a similar structure to the overall EU27, however, Italy and France's value added share of Swiss manufacturing and agriculture exports are relatively similar.

It is important to note that this is at an aggregated level and, when analysed in finer detail Switzerland's share of domestic value added in exports could be lower for some specific products.

Table 3: EU27 and selected MS share of value added in Swiss exports, 2015 (%)

Sector/MS	EU27	Germany	Italy	France	Switzerland
Total	13.3	4.7	1.8	1.5	75.4
Manufacturing	17.7	6.4	2.5	2.0	67.8
Business Services	8.5	2.8	1.0	1.0	83.8
Agriculture	15.0	4.7	2.1	2.0	73.8

Source: OECD (TiVA)

3. Foreign Direct Investment

Statistics on foreign direct investment (FDI) in Table 4 below indicates that EU27 outward stocks in Switzerland account for just under €1 trillion and are higher than Swiss stocks in the EU27 which amount to €735 billion. EU27 outward flows of FDI in Switzerland were also higher than Swiss flows into the EU27.

Table 4: EU27 and Switzerland bilateral FDI relations, 2019 (€ billion and %)

Reporter	Partner	Stocks/ Flows	Outward		Inward		Total	
			(€ billion)	(%)	(€ billion)	(%)	(€ billion)	(%)
EU27	Switzerland	Stocks	969	10.8	735	10.3	1,704	10.6
EU27	World	Stocks	8,990	100	7,138	100	16,128	100
EU27	Switzerland	Flows	31	-	-27	-	4	-
EU27	World	Flows	134	100	160	100	294	100

Source: Eurostat ((BPM6) [BOP_FDI6_GEO])

4. Tariffs

The EU's simple average bound tariff is about 5%, while its trade weighted average applied tariff is slightly lower at 3%.² Agricultural tariffs are about three times higher than non-agricultural tariffs, both weighted and un-weighted. In comparison, Swiss MFN tariffs range from zero on works of art and antiques to over 60 % on live animals and animal products. While Swiss tariffs on EU products are lower for some agricultural products, particularly vegetables, they remain high for Animal or vegetable fats and oils.

Table 5 displays the EU's simple average most favoured nation (MFN) tariff and the EU's simple average tariff on imports from Switzerland, by HS Section. MFN tariffs range from zero on pulp of wood, paper and paperboard and works of art and antiques to over 15% on foodstuffs, beverages, tobacco. EU tariffs on Swiss imports are zero across most sectors with tariffs ranging from 4% to 9.5% in some agriculture sectors. In comparison, Swiss MFN tariffs range from zero on works of art and antiques to over 60 % on live animals and animal products. While Swiss tariffs on EU products are lower for some agricultural products, particularly vegetables, they remain high for Animal or vegetable fats and oils.

Table 5: Simple average MFN tariffs and simple average bilateral EU and Swiss tariffs by HS Section, 2020 (%)

HS Section	HS Section Name	EU MFN tariff	EU tariff for Switzerland*	Switzerland MFN tariff	Switzerland tariff for the EU
I	Ch. 01-05 Live animals; animal products	10.4	9.4	62.5	10.5
II	Ch. 06-14 Vegetable products	6.2	4.9	26.1	0.0
III	Ch. 15-Animal or vegetable fats and oils	6.2	5.8	41.1	41.3
IV	Ch. 16-24 Foodstuffs, beverages, tobacco	15.6	9.0	21.1	8.4
V	Ch. 25-27 Mineral products	0.7	0.0	0.4	0.0
VI	Ch. 28-38 Chemical products	2.1	0.0	1.2	0.0
VII	Ch. 39-40 Plastics, rubber & articles thereof	2.8	0.0	1.7	0.0
VIII	Ch. 41-43 Raw hides and skins & saddlery	3.1	0.0	1.4	0.0
IX	Ch. 44-46 Wood, charcoal & cork & articles	2.2	0.0	2.4	0.0
X	Ch. 47-49 Pulp of wood, paper & paperboard	0.0	0.0	5.9	0.0
XI	Ch. 50-63 Textiles and textile articles	8.0	0.0	2.3	0.0

² WTO World Tariff Profiles 2020. Available at: https://www.wto.org/english/res_e/publications_e/world_tariff_profiles20_e.htm

XII	Ch. 64-67 Footwear, hats & other headgear	7.8	0.0	2.1	0.0
XIII	Ch. 68-70 Articles of stone, glass & ceram.	3.7	0.0	2.2	0.0
XIV	Ch. 71-Pearls, precious metals & articles	0.6	0.0	0.2	0.0
XV	Ch. 72-83 Base metals and articles thereof	1.9	0.0	1.7	0.0
XVI	Ch. 84-85 Machinery and appliances	1.7	0.0	0.6	0.0
XVII	Ch. 86-89 Transport equipment	4.4	0.0	1.5	0.0
XVIII	Ch. 90-92 Optical and photograph. instr., etc.	1.6	0.0	0.5	0.0
XIX	Ch. 93-Arms and ammunition	2.3	0.0	0.8	0.0
XX	Ch. 94-96 Miscellaneous manufact. articles	2.6	0.0	2.0	0.0
XXI	Ch. 97-Works of art and antiques	0.0	0.0	0.0	0.0

Source: MACMAP and ISDB, based on DG TRADE calculations from TARIC. Includes ad-valorem duties only. * Reflecting tariffs vis-à-vis Switzerland as per the trade agreement, where only few products are covered in Sections I-IV.

5. Mutual Recognition Agreement (MRA) – Medical devices

Error! Reference source not found. shows EU and Swiss exports/imports of medical devices in 2019 as a share of their respective total imports/exports of medical devices. Swiss imports of medical devices from the EU amount to about 52% of their total imports of medical devices, while the figure for exports is close to 46%. Corresponding figures for EU imports and exports from and to Switzerland stand at 10% and 5 % respectively. The MRA between the EU and Switzerland allows both parties to certify any goods, whether originating in the EU, in Switzerland or in any third country. Figures for such non-originating products are not included in the table below.

Table 6: EU and Swiss imports/exports of medical devices (€ million)

Reporter	Partner	Imports		Exports	
		€ million	Share of World (%)	€ million	Share of World (%)
EU27	World	40985	100.0	60242	100.0
EU27	Switzerland	4101	10.0	2894	4.8
Switzerland	World	4825	100.0	10559	100.0
Switzerland	EU27	2528	52.4	4819	45.6

Source: Eurostat, COMEXT.