Commodity Traders Contribute Significantly to the Added Value and Taxation of Many Cantons

Epigraph: "Switzerland continues to advocate for multilateral solutions and the expansion and renewal of its network of free trade agreements."

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Among the objectives of SECO's foreign economic policy is "legally secure and as extensive access as possible to international markets." However, trade tensions are escalating due to sanctions imposed by the West against Russia and disputes between the United States and China. Where do you think globalization is headed?

Switzerland operates in an environment increasingly influenced by geopolitics. The efforts of major powers to shape commercial flows in specific economic activities or sectors are part of this landscape. The extent to which these efforts will succeed remains to be seen. Notably, analyses indicate that the reduction of U.S. dependence on China has been replaced by indirect dependencies. For an open economy with a relatively modest domestic market like Switzerland's, maintaining an internationally rules-based trading system is crucial. Switzerland continues to advocate for multilateral solutions and actively expands and renews its network of free trade agreements. Additionally, Switzerland collaborates with its closest trading partners in new international initiatives, such as the *Joint Statement on Cooperation on Global Supply Chains*, to promote secure supply chains.

For Switzerland, does this reinforce the importance of bilateral agreements? Currently, Switzerland is engaged in negotiations with India (within the framework of the European Free Trade Association, AELE), and has the potential for success with Vietnam this year. Furthermore, Switzerland has initiated negotiations to update its agreement with China.

In these times of increasing geopolitical tensions and global economic growth slowdown, **free trade agreements (FTAs)** continue to gain significance. They open up new markets and allow for diversification of value chains, thereby enhancing our economy's resilience. Currently, we are highly active in negotiating new FTAs and modernizing existing ones. Our recent focus has been on the negotiation process with India, which is nearing completion. An agreement with the world's most populous country would create significant new opportunities for our economy and serve as a milestone in our foreign economic policy. Furthermore, negotiations are underway within the framework of AELE with Kosovo, Malaysia, Mercosur, Thailand, and Vietnam. Efforts are also being made to revise agreements with Mexico and the

Southern African Customs Union (SACU). The successful completion of the agreement's modernization with Chile is another recent achievement. Additionally, Switzerland is engaged in modernization negotiations for a comprehensive free trade agreement with the United Kingdom, and preparatory work is ongoing for updating the agreement with China.

In the context of globalization, what importance do commodity traders, who are highly present in Switzerland, hold?

Switzerland hosts one of the key hubs for international commodity trading. According to a 2018 study[1]**,** Swiss-based commodity traders controlled approximately one-third of global crude oil trade**,** around two-thirds of metal trade revenues in various Swiss cantons, and between 35% and 60% of agricultural commodities trade. Recent political uncertainties, such as sanctions against Russia, may have slightly impacted these figures. This sector, which bridges the gap between production, handling, and consumption of raw materials, plays a critical role in global supply chains for both the economy and industry. It is in Switzerland's interest to provide this sector with the most favourable framework conditions. The strong presence of commodity traders in Switzerland indicates that, for now, this is indeed the case. These traders rank among the largest companies in our country, significantly contributing to value-added and tax revenues in various Swiss cantons, including Geneva, Zürich, Zug and Ticino, for which we owe them our gratitude.

[1] Jungbluth N. and Meili C. (2018) "*Pilot-study for the analysis of the environmental impacts of commodities traded in Switzerland",* ESU-services Ltd.

How do you take their interests into account in trade discussions?

When negotiating free trade agreements, we consider the interests of all sectors in Switzerland and maintain regular exchanges with businesses. An essential function of free trade agreements is to enhance legal certainty overall and increase predictability for our companies. All economic sectors benefit from this, including those that do not directly import or export goods to or from Switzerland.

Does Switzerland remain sufficiently attractive to retain these actors within its territory?

Switzerland offers an appealing economic environment and actively strives for optimal framework conditions across all sectors. In addition to the multi- and bilateral measures mentioned earlier (as per question 1), Switzerland is diligently working to further strengthen its integration into global value chains. For instance, the recent elimination of customs duties on all industrial goods as of January 1, 2024, and the ongoing digitization of customs procedures exemplify these efforts. Moreover, the overall quality of life and the favourable living conditions in our country serve as significant assets in attracting economic players. The international rankings by Mercer,

which place Zurich and Geneva at the 2nd and 5th positions**,** respectively, underscore Switzerland's enduring appeal.

Does the peasant movement in Europe, and to a lesser extent in Switzerland, have valid reasons to complain about the burden of regulations on their operations? If so, how can this burden be alleviated? Additionally, all businesses seem to grapple with the increasing weight of norms…

Surveys conducted among businesses, such as the bureaucracy barometer reveal that the administrative burden of regulations is one of the main concerns of companies. The latest survey indicates that the administrative burden in Switzerland is perceived as high, although it has fallen slightly compared to the previous survey. To further reduce the burden on businesses, the Swiss Parliament enacted the Federal Act on Regulatory Cost Reduction for Enterprises (LACRE) on September 29, 2023. The LACRE includes measures aimed at reducing the regulatory burden for both new and existing regulations. Additionally, it is worth noting that the Swiss Confederation offers an online digital platform for businesses called EasyGov.swiss. EasyGov streamlines administrative processes, making them straightforward, swift, and efficient.