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Article

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Comment on “Collateral damage: The harm done to Swiss commercial interests by EU policies since the crisis began” by Simon Evenett

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The paper in this issue of *Aussenwirtschaft* by Simon J. Evenett illustrates some very important facts about the complexity of the international trade framework. In particular, it analyzes the important connection between the access of Swiss firms to the European Single Market and the access of firms based in third countries to the same market. In other words, the absolute and relative discrimination of Swiss exporters in the market of the European Union (EU).

To be competitive, it is crucial for Swiss exporters to have non-discriminatory market access which is at least as extensive as the preferential access of competitors from outside the EU or Switzerland. Access to the European Single Market is particularly important as the economic ties between Switzerland and the EU are very tight. Trade in goods between Switzerland and the EU adds up to almost €1 billion per working day. More than 50% of all Swiss exports in goods are heading to the EU. These numbers show the importance of the contractual trade relation between Switzerland and the EU. Furthermore, they reveal the vulnerability of the Swiss export market to policy measures that harm trade – especially measures implemented by the EU and its member states.

The results of the paper at hand are helpful in respect to the political sensitization about the importance of a continuously improved access to the market of Switzerland’s most prominent trade partner, the EU. This must be achieved in parallel with improvements in the access to this market for competitors in third countries. On the other hand, a net of free trade agreements (FTAs) is needed to keep up with the preferential market access of Switzerland’s competitors in specific markets. Switzerland tries, for example, to have a net of FTAs which covers at least the same states as the FTAs of the EU do. This aspect might become very crucial should the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the United States become effective.

However, free trade relations alone do not ensure non-discriminatory access to the concerned markets. This is where the Global Trade Alert (GTA) takes an important function with regard to transparency concerning state measures that might harm trade. The knowledge of such measures allows for interventions on a

governmental level, i.e. within the Mixed Committees established in the sectoral bilateral agreements between Switzerland and the EU. Evenett's study provides important insights into rising trade costs on the basis of GTA as well as based on a comprehensive analysis of the UN Comtrade Data. The Swiss government should look at the specific problems and try to find solutions in bilateral talks with those states that face rising trade costs. This should be analyzed not only in respect to measures that harm trade directly (in absolute terms) – where trade politics focus on – but also in respect to relative discrimination. In this regard, the present paper gives assistance in an innovative way. Evenett's results regarding increasing trade costs mainly in the aftermath of the last economic crisis show the importance of a good and constantly fostered dialogue between trade partners. This illustrates, for instance, that the value of the bilateral agreements between Switzerland and the EU cannot solely be measured in the absolute improvements regarding better access to the European Single Market. The established dialogue also has a significant value which might not be measured in Swiss francs.

Finally, I would like to point to some facts on the measures that are recorded in the GTA. The vast majority of crisis-related harmful measures were, or still are, in the area of state aid. I would argue that short-term measures to bail out firms in trouble due to the crisis are less harmful to trade than the usual state aid measures implemented by a government. In Switzerland, for example, short-term work compensation is used as a measure to support enterprises which are struggling because of the strong appreciation of the Swiss franc after the removal of the currency ceiling in January 2015. This is seen as a necessary measure to prevent the loss of jobs in the event of a temporary lack of work due to the economic situation. Such a measure has a different impact on international trade than a measure like a tax reduction or release for a long period. By mentioning this circumstance, I would like to underline that the recorded measures in the GTA have to be qualified in order to better understand the influence of the recorded measures.

Examples of harmful measures where the Swiss State Secretariat for Economic Affairs (SECO) intervenes at different levels are antidumping measures of the EU and their implementation by the member states. Generally, these are aimed at Chinese exports. However, we observe that Swiss exports which incorporate Chinese input materials are also affected. Examples are products containing aluminum, solar panels or screws from China. A recent case in a related area concerns prior surveillance of imports of certain iron and steel products. Due to the proximity of the European and the Swiss markets, as well as the close integration of supply chains (so-called “just-in-time operations”), Swiss firms are particularly hurt by this new administrative burden. By mentioning these examples, I would like to underline that: (1) measures aiming at a specific partner

might have severe effects on other partners as well; and (2) depending on the links between specific markets, the effect of a particular measure might be completely different.

These findings show how complex trade patterns are. This is why studies like the analysis at hand are very important in respect to a sensitization of the public discourse as well as in relation to international (trade) policy.