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SWISS TRADE MONITOR



Edition 4:
Dealing with less Freedom

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From insight to impact.

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Abstract

The *Swiss Trade Monitor* documents time trends in Switzerland's foreign goods trade. The fourth edition focuses on Switzerland's trade relationship with other countries in light of the global decline in freedom as measured by Freedom House.

- Freedom scores indicate that for 17 consecutive years the number of countries with decreasing liberty has exceeded the ones with increasing liberty. Today, only 21% percent of the worldwide population lives in nations classified as free. These nations account for 50% percent of global GDP.
- Among Switzerland's top-20 trading partners — collectively accounting for 85% of the country's foreign goods trade — we observe that there is only a modest decline in average Freedom House scores. Only four top-20 partners (China, India, Singapore, and Turkey) are classified as partly free or not free.
- The trade-weighted average Freedom House score for all of Switzerland's trading partners is 79 out of a maximum of 100. While there is a notable decline of ten points from 2005 until 2020, it has recently stabilized.
- We document the variation across industries and find that for some key sectors like precious metals, watches, or specialized machines the average Freedom House score is relatively low.

Contents

1	The Swiss Trade Monitor	2
2	Swiss Foreign Trade	3
3	Time Trends	5
3.1	Overview	5
3.2	Detailed Results: Overall Swiss Foreign Trade	7
3.3	Detailed Results: European Union	8
3.4	Detailed Results: United States	9
3.5	Detailed Results: China	10
4	Focus Topic	11
4.1	The Global Decline in Freedom	12
4.2	Relevance for Swiss Foreign Goods Trade	14
4.3	Concluding Remarks	18

1 The Swiss Trade Monitor

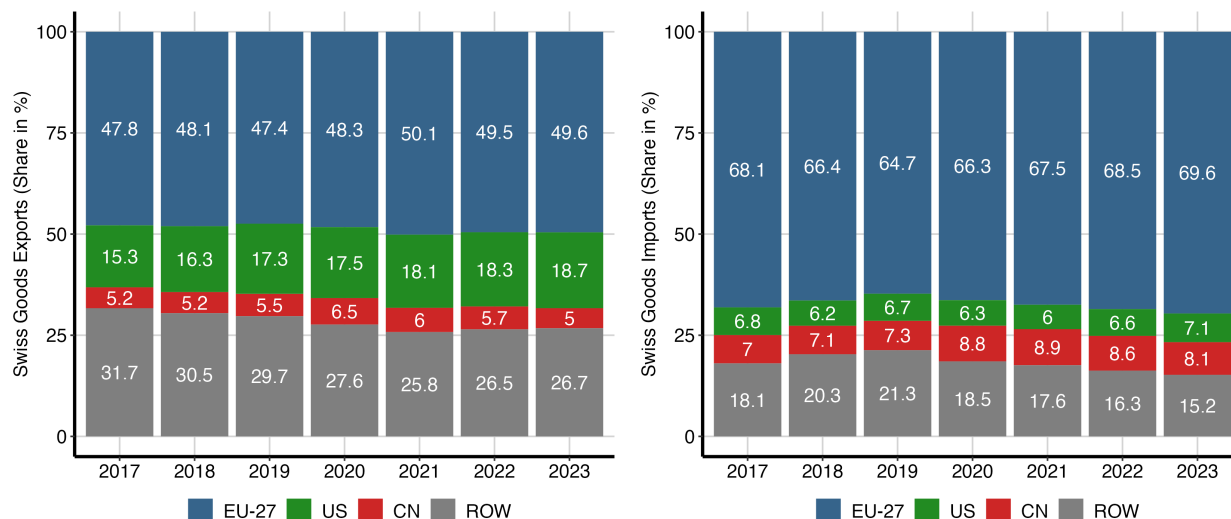
Switzerland is a small open economy. The international exchange of goods is crucial for the nation's economic prosperity. The aim of the *Swiss Trade Monitor* is to document key trends in Swiss foreign goods trade. Its fourth edition focuses on the Freedom House score of partner countries.

The first and general part of the report illustrates Switzerland's foreign goods trade, pointing out major trading partners, dominant product groups, and key time trends. In addition, detailed data are presented for the three major partners (the EU-27, the United States, and China) In the second and specific part, we explore the trade relationship with partner countries in light of Freedom House classifications.

The primary data source for this report is the Swiss Federal Office for Customs and Border Security (FOCBS). Unless stated differently, the trade data exclusively considers goods trade without gold and other precious metals (the FOCBS refers to this as "Total 1"). The trade data for the year 2022 remains provisional at the time of publication. Additional data for this report is taken from Freedom House.

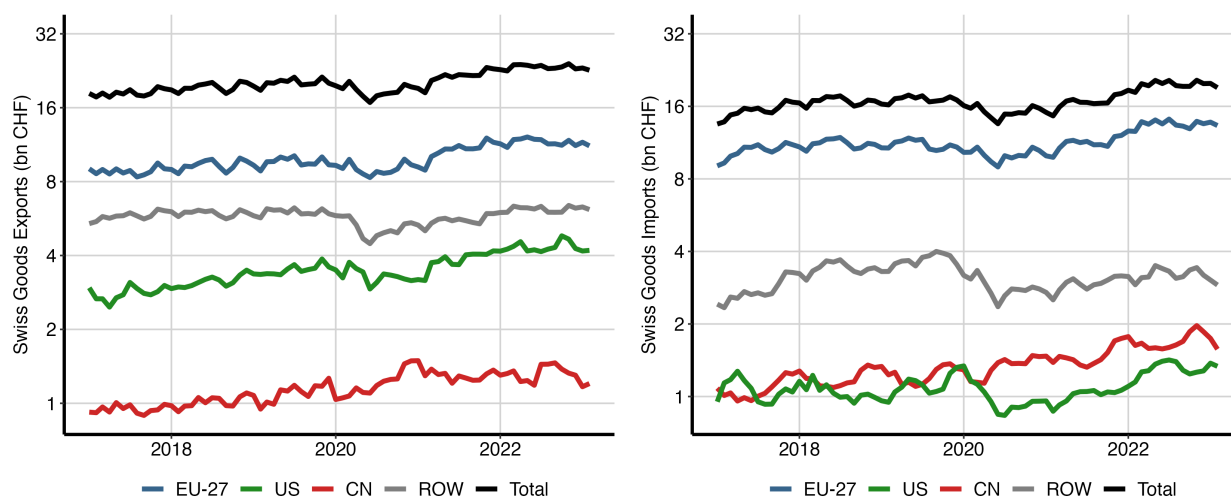
2 Swiss Foreign Trade

Most of Swiss foreign goods trade occurs with three partners: the 27 nations of the European Union (EU-27), the United States, and China. Collectively, these three partners accounted for around 73% of exports and 84% percent of Swiss imports in 2022. Comparing recent years, the three partners' share of both ex- and imports has increased noticeably, especially driven by the EU.



Note: The figure shows shares of Switzerland's total goods exports (left figure) and imports (right figure) for four separate years (2016–2022), separated by major partners (EU, USA, China) and the rest.

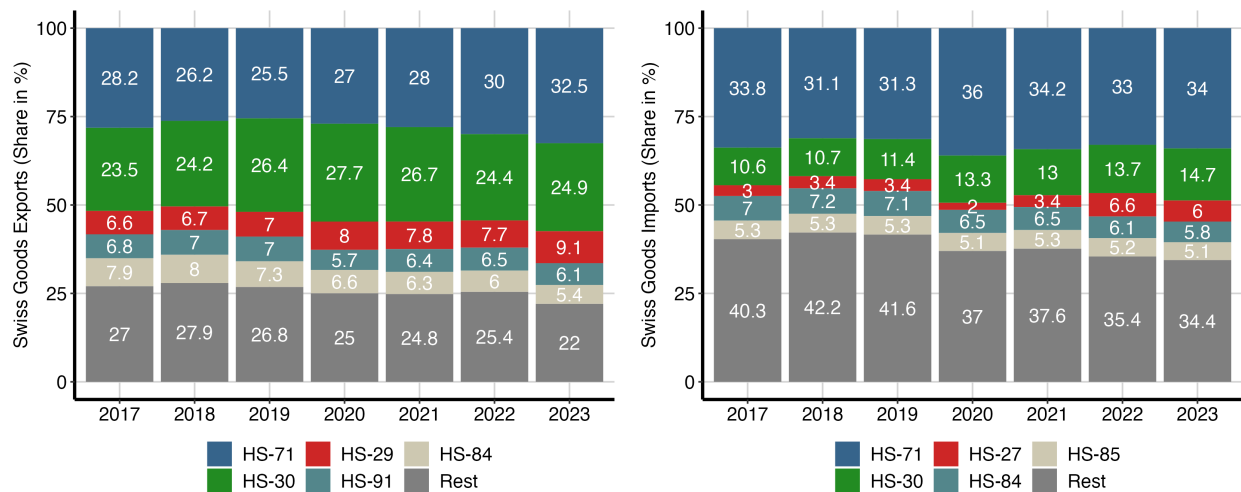
Recently, the US overtook Germany as the most important export destination. The EU-27 overall, however, accounts for about half of all exports and more than 2/3 of Swiss imports.



Note: The figure shows Switzerland's monthly goods exports and imports in total and for its three most important partners (EU, USA, China).

When considering Swiss trade including gold and precious metals (the so-called Total 2), a few product groups play a major role. Swiss *exports* are dominated by gold (HS 71) and pharmaceutical products (HS 30) which together account for more than half of all exports. Chemicals (HS 29), watches (HS 91) and machines (HS 84) are the next most important product groups. The remaining 25% of exports consist of other products.

On the *import* side, gold is also by far the most important product, accounting for roughly a third of the total value. Pharmaceutical products (HS 30), machines (HS 84), specialized machinery (HS 85), and mineral fuels (HS 27) collectively account for another third of Swiss imports.

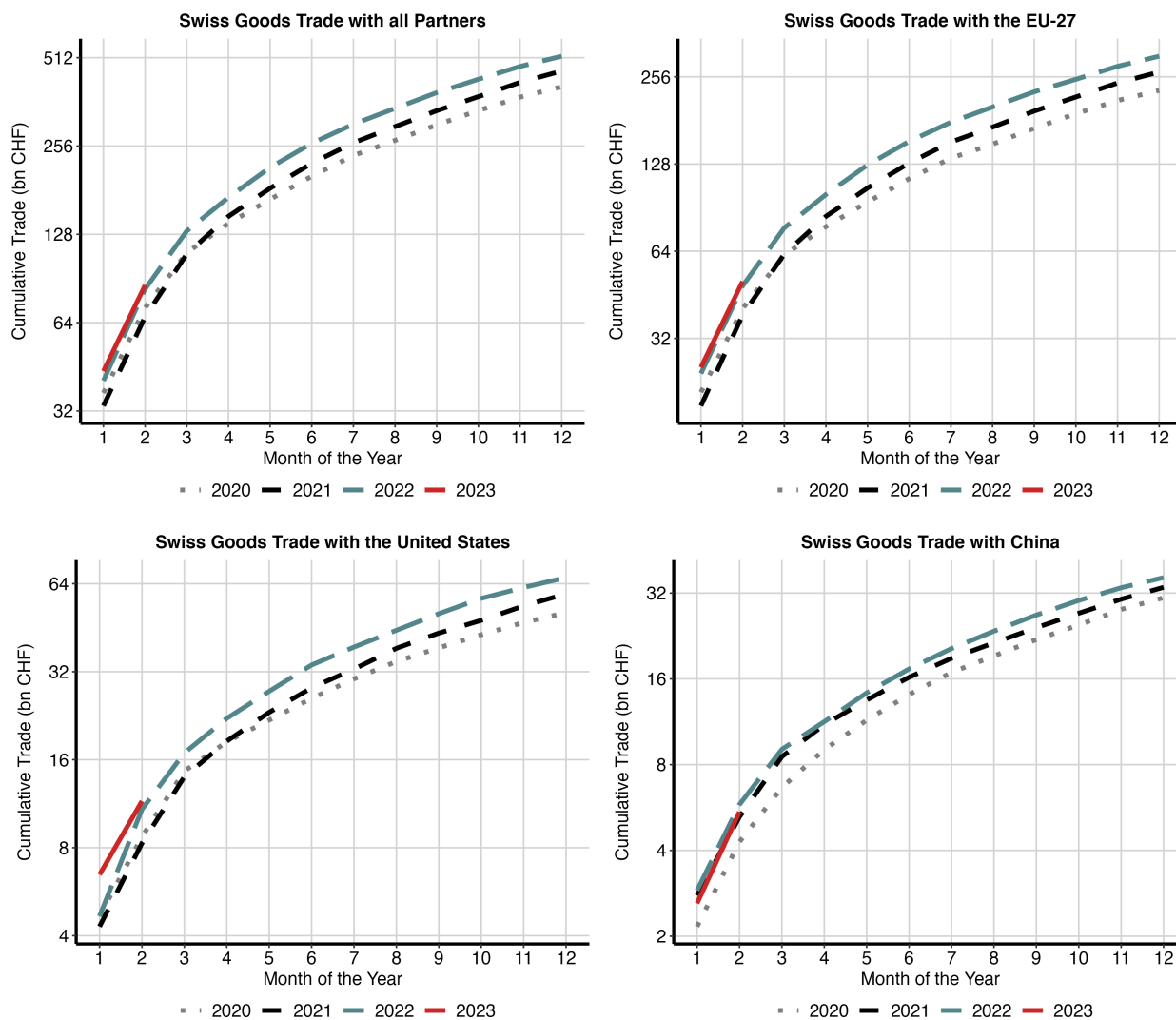


Note: The figure shows for the main product groups the share of Switzerland's goods exports and imports in the years 2016–2022. Here, gold and precious metals are included.

3 Time Trends

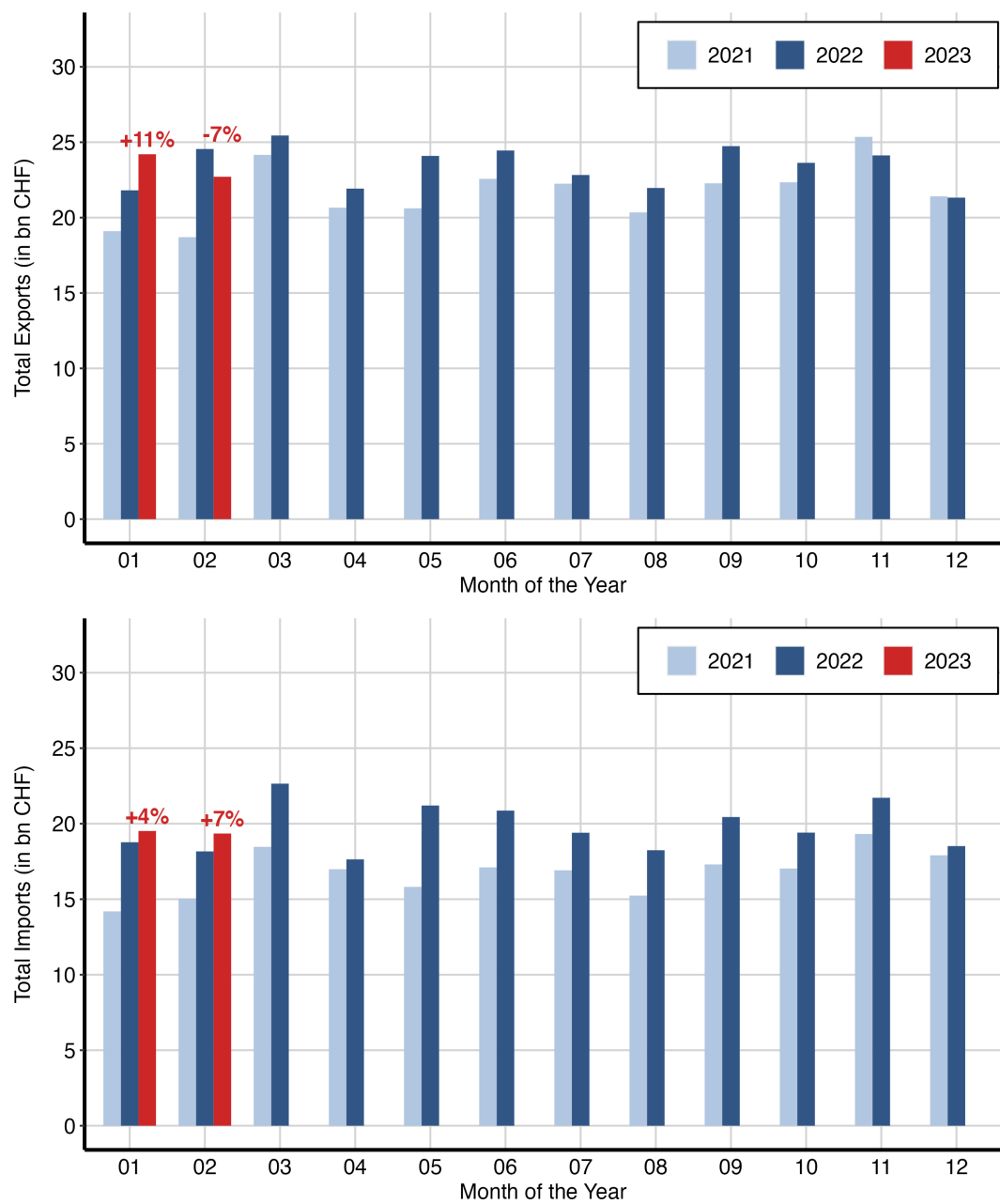
3.1 Overview

The following charts provide an overview of how Switzerland's foreign goods trade evolved in the years 2020–2023, in total as well as with selected partners.



Note: The figure shows Switzerland's foreign goods trade for four separate years (2019–2022), cumulatively on the basis of monthly data.

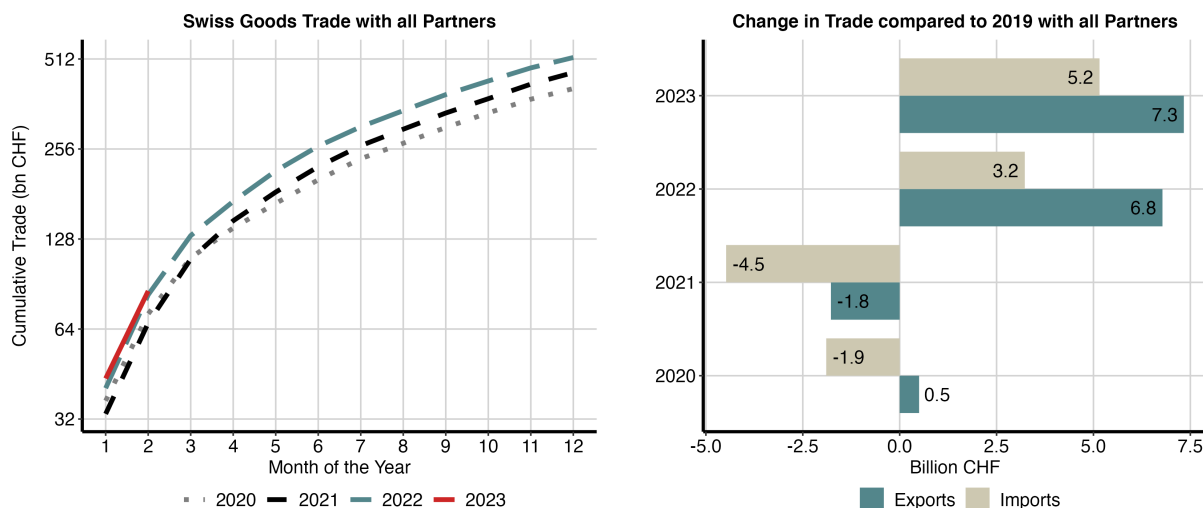
A month-by-month comparison of 2022 with the previous two years indicates that both exports and imports have increased substantially. The first 2023 data also indicate a value increase.



Note: The figure shows Switzerland's foreign goods trade for three separate years (2020–2022), on the basis of monthly data. Percentage figures correspond to year-over-year growth rates in comparison to the previous year.

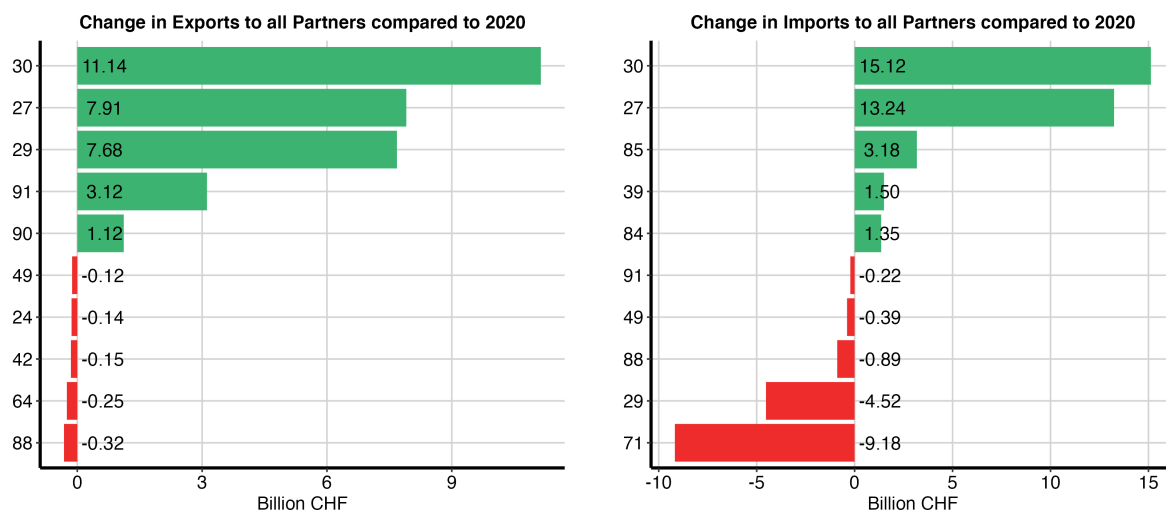
3.2 Detailed Results: Overall Swiss Foreign Trade

COVID-19 caused Switzerland's trade volume of 2020 to fall below the 2019 volume. In sharp contrast, both 2022 and 2023 notably exceed previous years in terms of trade volume. Both exports and imports are significantly above the 2019 level.



Note: The figure shows Switzerland's foreign goods trade for four separate years (2020–2023), cumulatively from January to December. On the right, changes in exports and imports relative to 2019 are illustrated.

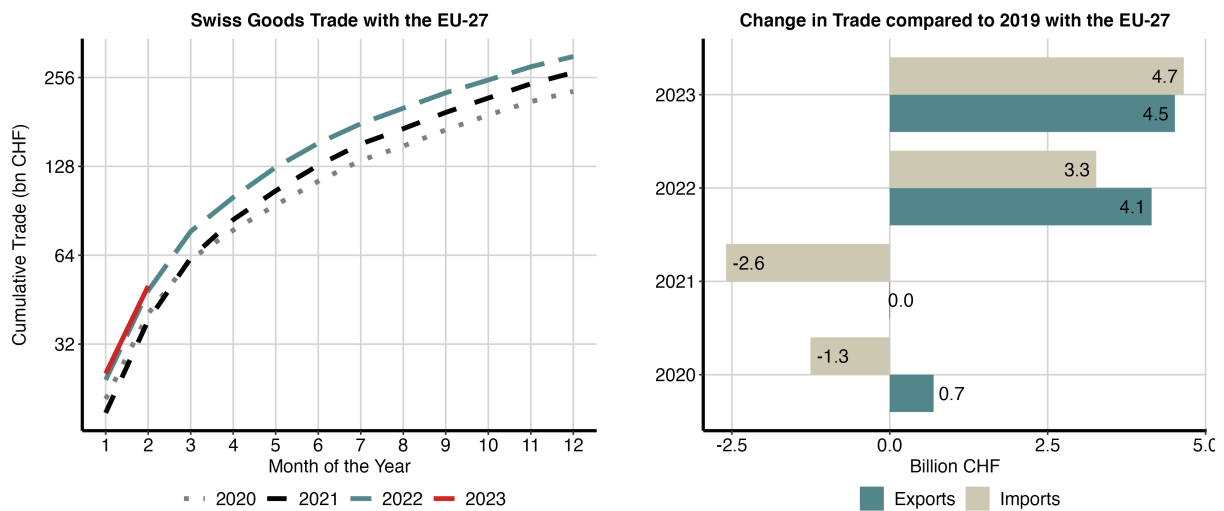
Pharmaceutical products (HS chapter 30) account for the largest changes, followed by chemicals (HS-29) and mineral fuels (HS-27). There is a notable increase in the export of watches (HS-91) and import of specialized machines (HS-85).



Note: The figure shows changes in Switzerland's foreign goods trade for the year 2022 compared to 2019. For both exports and imports, the five HS chapters with the largest increase or decrease are visualized.

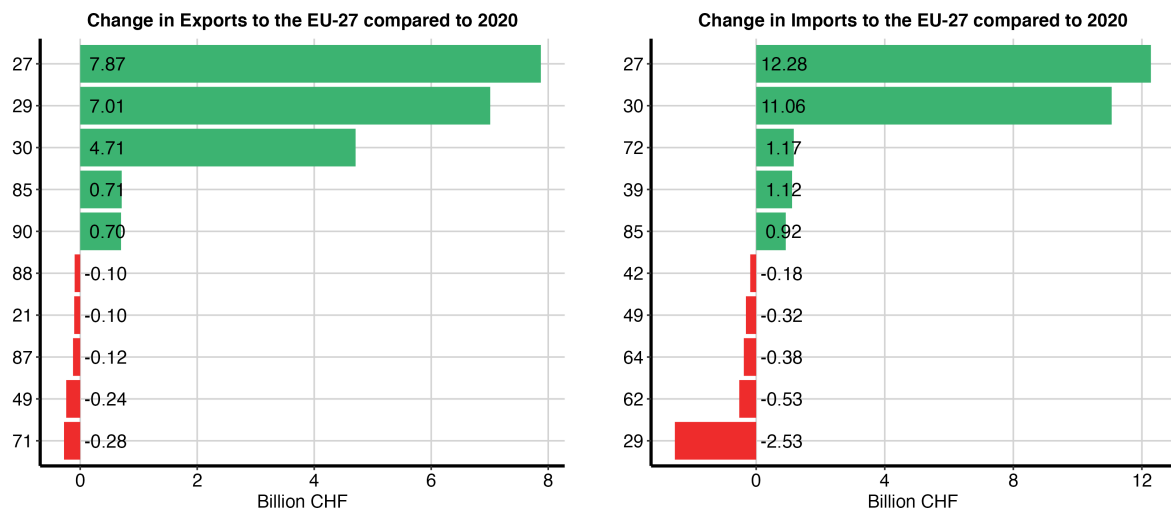
3.3 Detailed Results: European Union

Trade with the EU fell substantially in the wake of the COVID-19 pandemic but 2021 levels already exceeded 2019 ones – and the 2022 and 2023 trade volumes are substantially higher still.



Note: The figure shows Switzerland's goods trade with the EU-27 for four separate years (2020–2023), cumulatively from January to December. On the right, changes in exports and imports relative to 2019 are illustrated.

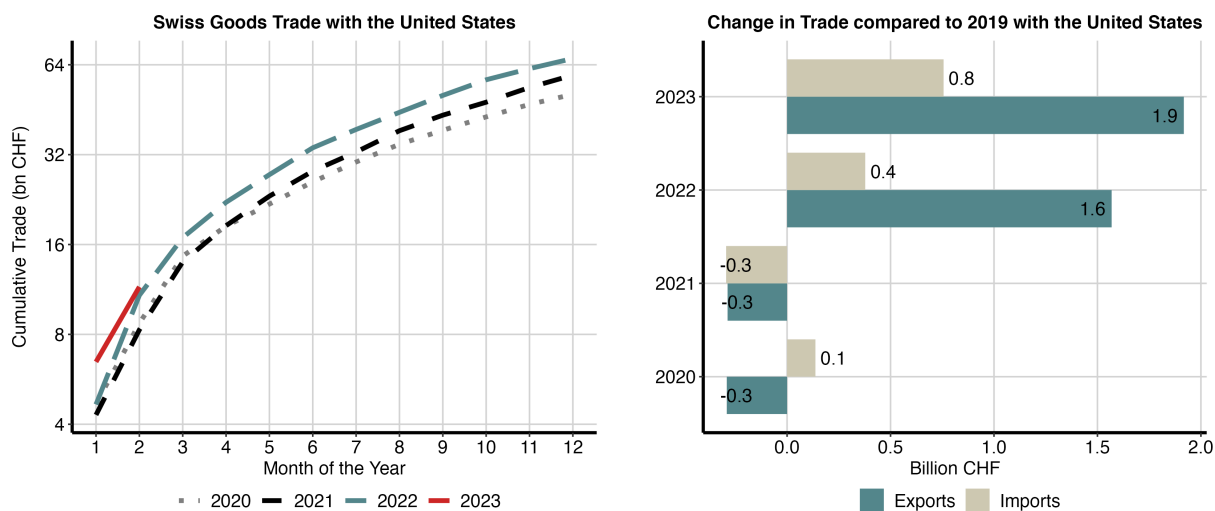
Pharmaceutical products (HS chapter 30) and mineral fuels (HS-27) show the largest increase in ex- and imports. Chemicals (HS-29) exports surge, while imports have decreased.



Note: The figure shows changes in Switzerland's trade with the EU for the year 2022 compared to 2019. For both exports and imports, the five HS chapters with the largest increase or decrease are visualized.

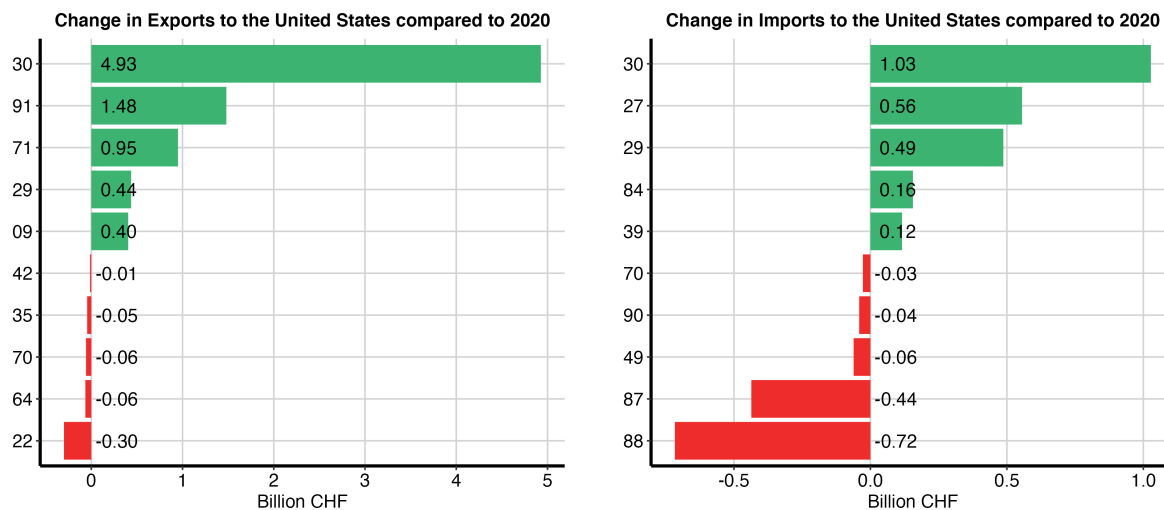
3.4 Detailed Results: United States

Trade with the United States fell in 2020 due to the COVID-19 pandemic but since 2021 volumes are above pre-pandemic levels. Especially Swiss exports have increased strongly.



Note: The figure shows Switzerland's goods trade with the US for four separate years (2020–2023), cumulatively from January to December. On the right, changes in exports and imports relative to 2019 are illustrated.

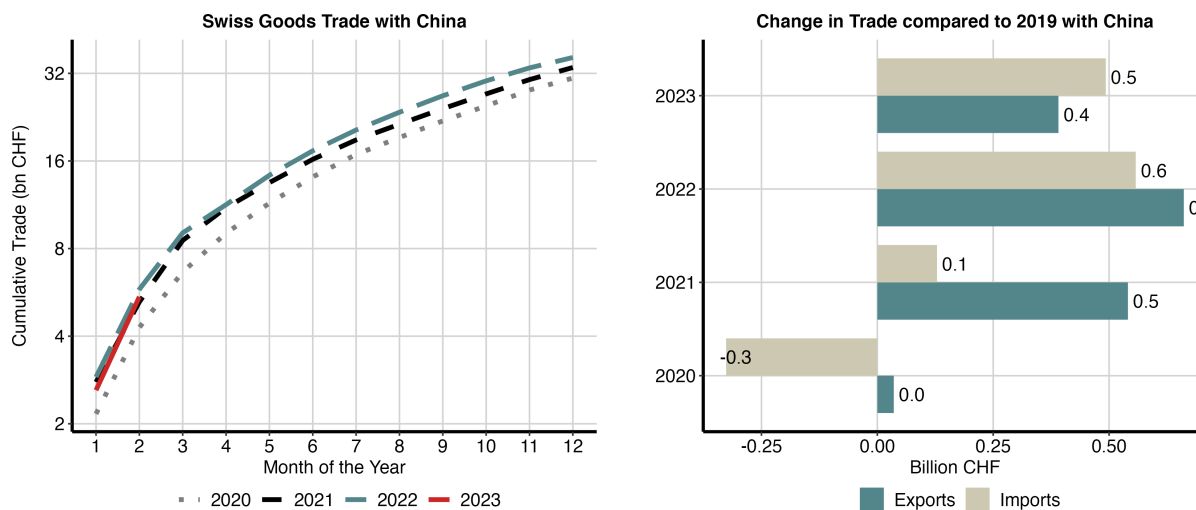
Pharmaceutical products (HS chapter 30) drive the Swiss export boom, followed by watches (HS-91). Increases in imports are smaller, focused on pharmaceuticals and mineral fuels (HS-27).



Note: The figure shows changes in Switzerland's trade with the US for the year 2022 compared to 2020. For both exports and imports, the five HS chapters with the largest increase or decrease are visualized.

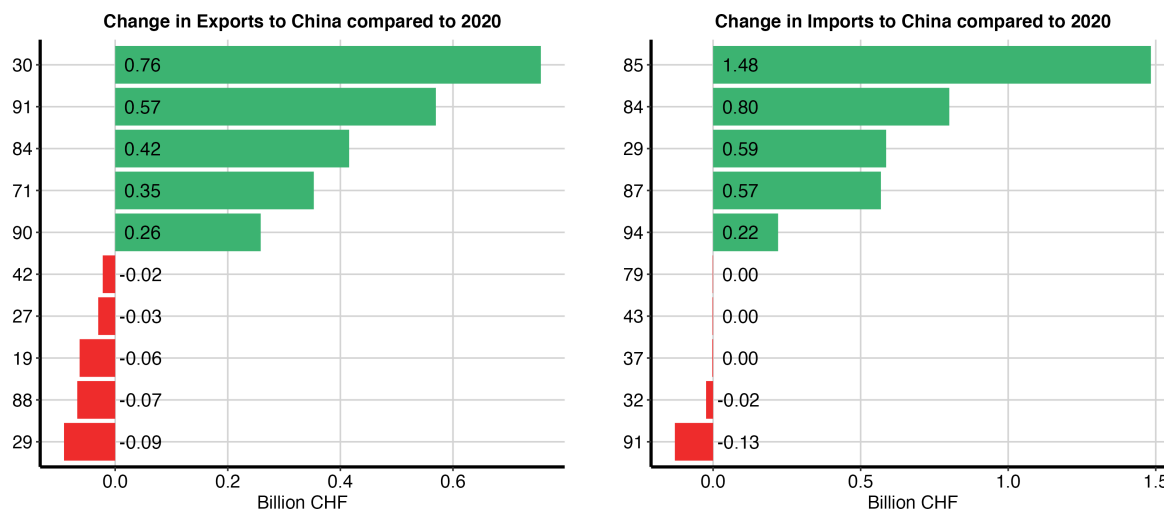
3.5 Detailed Results: China

Trade with China did not suffer in 2020 but has steadily increased in recent years. In 2022, the trade volume was about 30% above 2019 levels.



Note: The figure shows Switzerland's goods trade with China for four separate years (2020–2023), cumulatively from January to December. On the right, changes in exports and imports relative to 2019 are illustrated. F

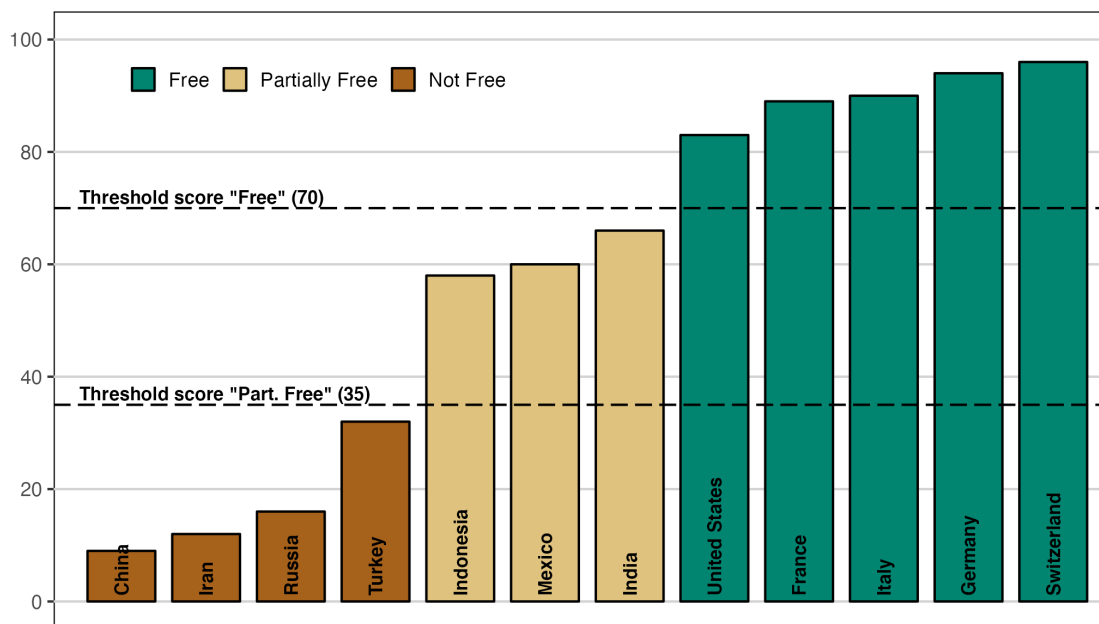
On the export side, pharmaceutical products (HS chapter 30) and watches (HS-91) show the largest increase. For Swiss imports, the data indicate significant increases in machines (HS-84) as well as specialized machines (HS-85), chemicals (HS-29), and vehicles (HS-87).



Note: The figure shows changes in Switzerland's trade with China for the year 2022 compared to 2019. For both exports and imports, the five HS chapters with the largest increase or decrease are visualized.

4 Focus Topic

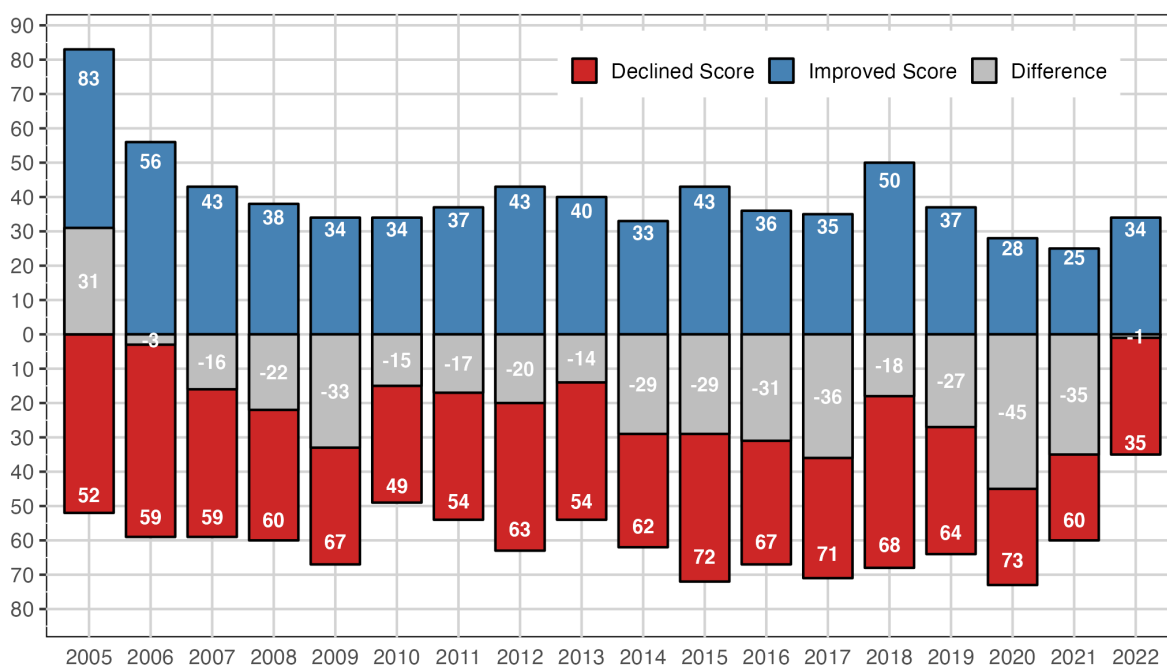
This fourth edition of the *Swiss Trade Monitor* illustrates the decline in global freedom as documented by Freedom House, a non-profit, majority U.S. government funded organization in Washington D.C. which quantitatively assesses all countries' degree of freedom and democracy. Combining their data with Swiss customs data, we show how relevant changes in global freedom are for Swiss foreign goods trade.



Note: The figure illustrates the Freedom House index and the resulting classification into three groups — Not Free, Partially Free, and Free — for a selected set of countries.

4.1 The Global Decline in Freedom

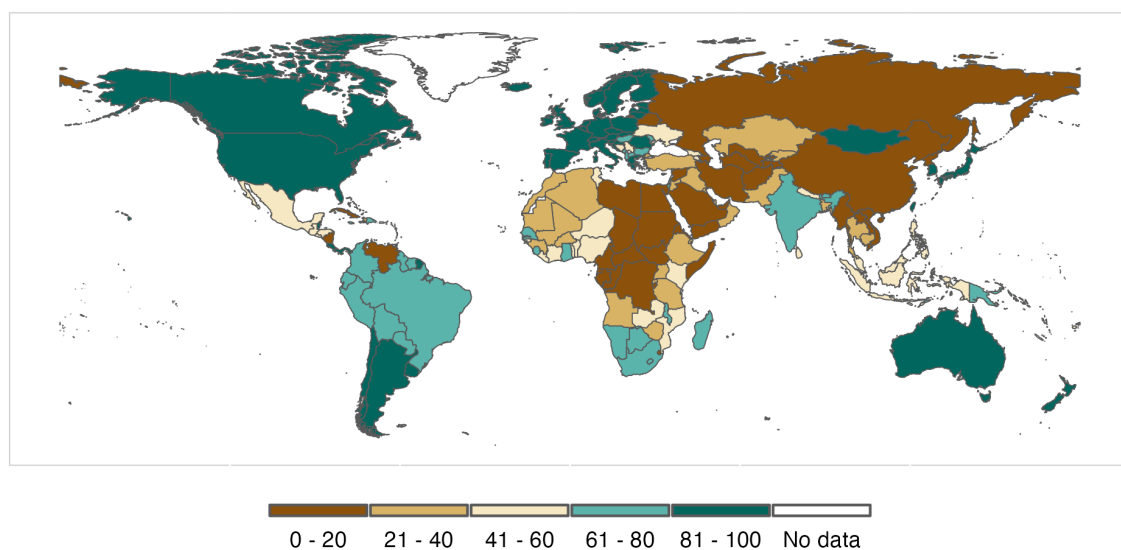
The latest 2023 Freedom House report, “Marking 50 Years in the Struggle for Democracy” published in March 2023, shows that for 17 consecutive years the number of countries with declining freedom scores outnumbered those with increasing scores. As the following figure indicates, however, in the most recent year the number of countries with improving and worsening scores was almost identical. Still, the past years saw a substantial decline in freedom as measured by Freedom House.



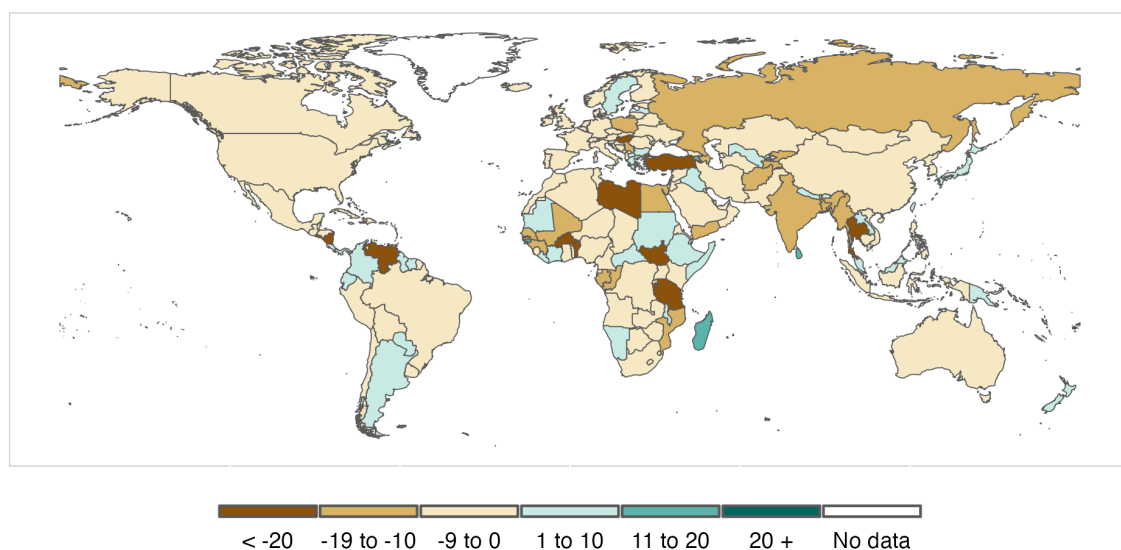
Note: The figure shows the number of countries with an increasing (or decreasing) Freedom House score for the years 2005 to 2022. The difference is shown in gray.

The decline in freedom should be interpreted with care. Neither is Freedom House the only organization ranking nations’ freedom nor is their methodology free of critique. Utilizing their data does not constitute an endorsement of their approach but a recognition that the political view expressed by Freedom House is relevant for both Swiss businesses and policymakers.

Taking the latest Freedom House country scores — which range from zero to one hundred — we see that three nations have a perfect score: Finland, Norway, and Sweden. Switzerland (96) is among the top-15 nations along with other European countries as well as New Zealand (99), Canada (98), and Japan (96). The following map shows the latest Freedom House score for all countries.

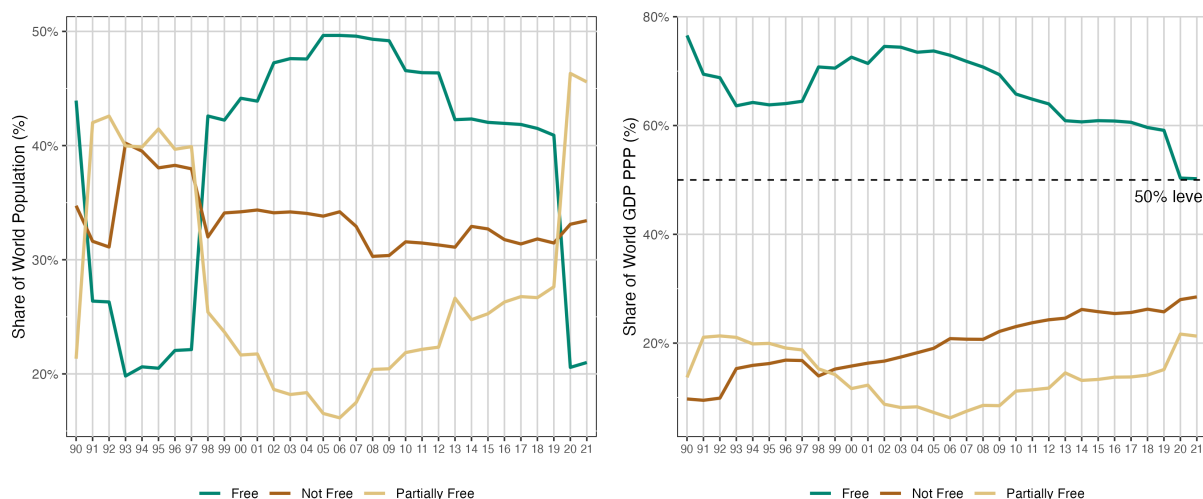


The fact that several countries saw their score decline is visible in the following chart with shows the changes between 2013 and 2022. While there are some countries with overall improvements, the majority of nations witnessed a decline.



One implication of this decline of freedom is that today only about 20% of the world's population resides in nations that Freedom House considers free. Once a nation scores less than 70 points, it is described as partly free. And a score of 35 or less marks a nation as not free.

Due to India's recent downgrading we now see almost half the global population in partly free countries. At the same time the share of global GDP produced in free countries is now just 50%, down from more than 70% a decade ago.



Note: The figure on the left shows the share of the global population living in free, partially free, and not-free countries since the 1990s. On the right, the share of global GDP is shown for the three country groups.

4.2 Relevance for Swiss Foreign Goods Trade

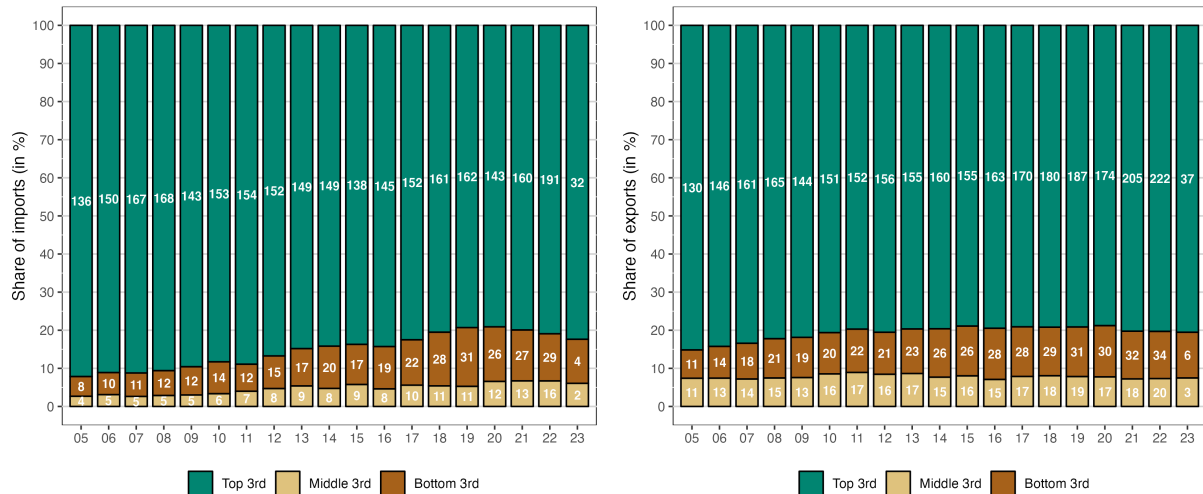
How relevant is this decline for Switzerland's foreign trade? To answer this question, we first take a look at the top-20 partner countries and their Freedom House (FH) score in 2013 and 2022. Overall, these twenty nations account for 85% of all Swiss foreign trade.

The following table indicates that only Japan and Slovenia show an increase in their FH scores. Large declines are found for Turkey, Poland, and India. But also important partners like the United States, France, and Spain record a significant decline in the FH score. On average, the Freedom House score among the twenty nations has declined from 85.6 to 81 since 2013.

	Trade Volume			Freedom Score			Δ Trade		Δ Freedom	
	2022	2019	2013	2022	2019	2013	22-19	22-13	22-19	22-13
Germany	109	98	89	94	94	96	11	19	0	-2
United States	67	56	33	83	86	92	11	34	-3	-9
Italy	43	33	33	90	89	90	10	10	1	0
France	37	29	29	89	90	95	8	8	-1	-6
China	36	28	20	9	10	17	8	17	-1	-8
Spain	19	14	10	90	92	96	5	9	-2	-6
Austria	18	14	14	93	93	96	4	4	0	-3
Slovenia	18	4	1	95	94	91	14	17	1	4
United Kingdom	14	19	15	93	94	97	-5	-1	-1	-4
Japan	13	11	9	96	96	90	2	4	0	6
Netherlands	12	11	11	97	99	99	1	1	-2	-2
Singapore	10	7	5	47	50	51	3	5	-3	-4
Belgium	8	8	9	96	96	97	0	-1	0	-1
Poland	6	5	4	81	84	93	1	2	-3	-12
South Korea	6	4	3	83	83	85	1	2	0	-2
Ireland	5	9	8	97	97	97	-3	-3	0	0
Czech Republic	5	5	4	92	91	94	0	1	1	-2
Canada	5	5	4	98	98	98	0	1	0	0
India	4	4	3	66	71	77	1	1	-5	-11
Turkey	4	3	3	32	32	60	1	1	0	-28
Average	22	18.4	15.3	81	82	85.6	3.6	6.6	-0.9	-4.5

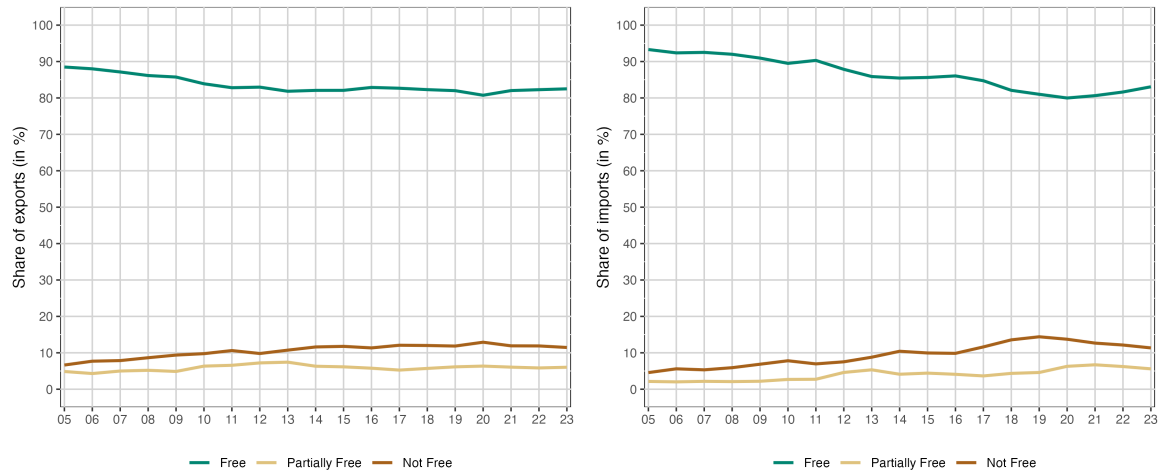
Note: Top 20 trade partners based on total trade volume in 2022 (Hong Kong placed 17 has been omitted because it is classified as a territory and not as a country in the report). Trade data expressed in billions CHF.

If we abstract for a moment from Freedom House's own classification (free, partially free, not free) and put countries into three equally sized baskets, we find that about 80% of Swiss foreign trade (both exports and imports) take place with nations in the top group:



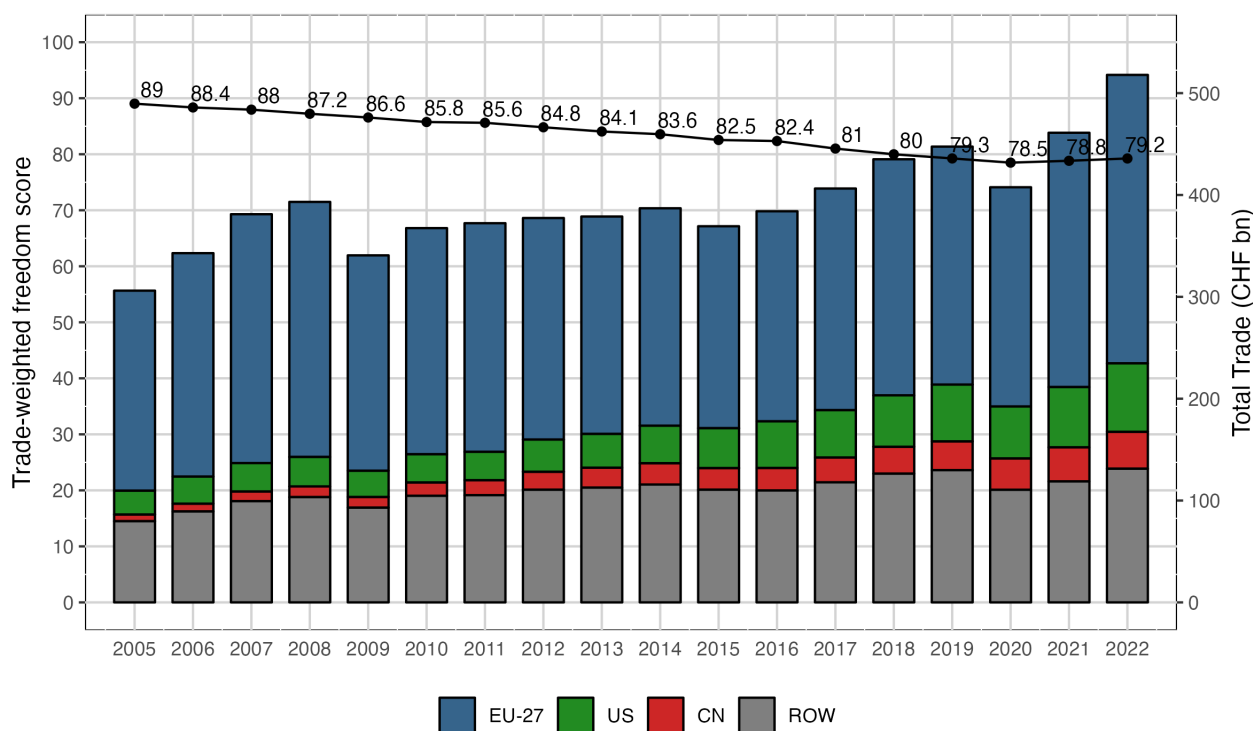
Note: The figures show the share of Swiss exports (left figure) and imports (right figure) that occurs with countries in the upper, middle, or lower third of the Freedom House scores. The numbers in the bars indicate the trade volume in billion CHF.

Following Freedom House’s own categorization, we obtain very similar results. While there has been a slight decline in the share of trade with “free” countries, it is still more than 80%. The share of trade with “partially free” and “not free” nations is about ten percent.



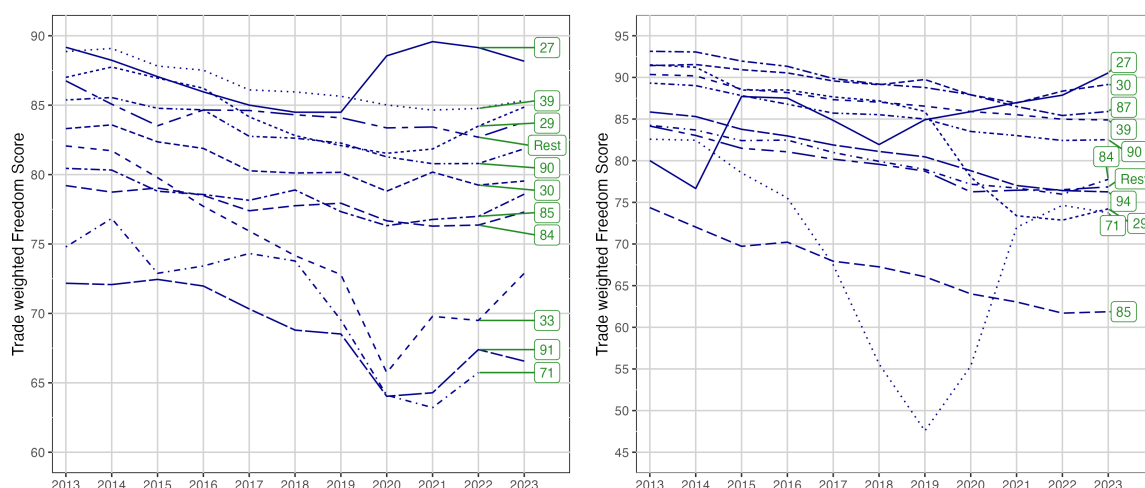
Note: The figures show the share of Swiss exports (left figure) and imports (right figure) that occurs with countries that *Freedom House* categorizes as free, partly free, or not free.

To summarize our findings we calculated the trade-weighted average Freedom House score of Switzerland’s trading partners. As the following figure shows, the average decreased from 89 in 2005 to about 79 in 2022. Notably, there was no decrease in the last three years and 79 is still considered a “free” country by the Freedom House classification. This relatively high average is explained by the fact that most of Swiss foreign goods trade takes place with countries of the European Union, the UK, Japan, or the United States — many nations with very high FH scores.



Note: The figure shows the trade-weighted average *Freedom House* score of Switzerland's trading partners (solid black line) as well as Switzerland's total trade volume which is divided in the trading partners Europe (EU-27), United States (US), China (CN) and Rest of the World (ROW).

As a final point, it is worth noting that there is substantial variation across industries. As the following figure documents, the average trade-weighted Freedom House score is relatively low for HS-71 (precious metals), HS-91 (watches), as well as HS-33 (essential oils). These industries, to a larger extent than others, must deal with partially-free or not-free countries.



Note: The figure shows the trade-weighted average *Freedom House* score of Switzerland's trading partners, separate by industries (represented by their 2-digit HS code, see Appendix). Exports are shown on the left, imports on the right.

4.3 Concluding Remarks

Conducting international business is likely to become more difficult in a fragmented world. Recent geopolitical developments with, among others, China or Russia illustrate that Western firms must navigate troubled waters. Nations with low Freedom House scores like China (FH score 9) or Russia (19) can and have become the target of sanctions. Hence, it is crucial for Swiss firms to monitor their exposure to countries with low FH ranking positions.

As this report documents empirically, thus far Swiss foreign trade mostly takes place with nations that score well on Freedom House. However, for selected industries like the gold or watch industry it could become more difficult to source from or export to certain countries.

Given that we use the Freedom House index, one could ask whether a different “freedom ranking” would yield different results. This is very unlikely given the high correlation across rankings. The following table compares FH ranking positions with the Human Freedom Index 2022 provided by the Cato Institute. We see that 130 nations (or 85%) are in the same group — top, middle, bottom third — in both rankings. Only 24 nations (or 15%) are off-diagonal, meaning their ranking is different. No country is in the top third of one ranking and in the bottom third of the other ranking.

FH Rating	Cato Ranking		
	Top 3rd	Middle 3rd	Bottom 3rd
Top 3rd	43	8	0
Middle 3rd	5	38	8
Bottom 3rd	0	3	49

Appendix: HS Sections — Descriptions

1	Live Animals	49	Printed Books, Newspapers
2	Meat	50	Silk
3	Fish	51	Wool
4	Dairy Products	52	Cotton
5	Products of Animal Origin	53	Other Textile Fibers
6	Live Trees and Plants	54	Man-made Filan-Made Textile Materials
7	Edible Vegetables	55	Man-made Staple Fibers
8	Edible Fruit and Nuts	56	Wadding
9	Coffee, Tea, Spices	57	Carpets
10	Cereals	58	Special Woven Fabrics
11	Products of the Milling Industry	59	Impregnated, Coated or Laminated Textile Fabrics
12	Oil Seeds	60	Knitted or Crocheted Fabrics
13	Lac, Gums, Resins	61	Articles of Apparel (knitted)
14	Vegetable Plaiting Materials	62	Articles of Apparel (not knitted)
15	Animal and Vegetable Fats and Oils	63	Other Textiles
16	Preparations of Meat or Fish	64	Footwear
17	Sugars and Confectionery	65	Headgear
18	Cocoa	66	Umbrellas, Walking Sticks
19	Preparations of Cereals, Flour	67	Prepared Feathers
20	Preparations of Vegetables	68	Articles of Stone, Plaster, Cement
21	Misc. Edible Preparations	69	Ceramic Products
22	Beverages	70	Glass and Glassware
23	Residues and Waste of Food Industries	71	Natural or Cultured Pearls, Precious Metals
24	Tobacco	72	Iron and Steel
25	Salt, Sulfur, Earths, and Stone	73	Articles of Iron or Steel
26	Ores, Slag, and Ash	74	Copper or Articles Thereof
27	Mineral Fuels and Oils	75	Nickel or Articles Thereof
28	Inorganic Chemicals	76	Aluminum or Articles Thereof
29	Organic Chemicals	78	Lead or Articles Thereof
30	Pharmaceutical Products	79	Zinc or Articles Thereof
31	Fertilizers	80	Tin or Articles Thereof
32	Tanning or Dyeing Extracts	81	Other Base Metals
33	Essential Oils	82	Tools, Cutlery
34	Soap	83	Misc. Articles of Base Metal
35	Albuminoidal Substances	84	Machines
36	Explosives, Pyrotechnicals	85	Specialized Machines
37	Photographic or Cinematographic Goods	86	Railway or Tramway Locomotives
38	Misc. Chemical Products	87	Vehicles other than railway, tramway rolling stock
39	Plastics and Articles Thereof	88	Aircraft, Spacecraft
40	Rubber and Articles Thereof	89	Ships, Boats
41	Raw Hides and Skins	90	Optical, Photographic, Precision Instruments
42	Articles of Leather	91	Clocks and Watches
43	Furskins and Artificial Fur	92	Musical Instruments
44	Wood and Articles of Wood	93	Arms and Ammunition
45	Cork and Articles of Cork	94	Furniture
46	Manufactures of Straw	95	Toys
47	Pulp of Wood	96	Misc. Manufactured Articles
48	Paper and Paperboard	97	Works of Art