



University of St.Gallen

Institute for Law and Economics



# SWISS TRADE MONITOR



Edition 9:  
Abolishing Industrial Tariffs

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From insight to impact.

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## Key Findings

- With the abolishment of industrial tariffs as of January 2024, the Swiss Federal Council aims to tackle the high price level in Switzerland compared to its neighboring countries. By eliminating customs duties, imported goods are assumed to become cheaper for consumers and firms, with effects on prices for both intermediate and consumer goods.
- This report documents the scope of this policy decision. The share of Swiss imports that are duty-free will increase by about 15 percentage points to 95% and about half of all current Swiss customs revenue will be eliminated.
- Apparel stand out as a product group benefiting the most. With average tariffs of about 5% current import duties are relatively high compared to the import value. We show that especially low-value textiles stand to benefit because Swiss import duties are set on a weight basis. As a result, low-income households should benefit more than high-income ones.
- The overall impact on consumer prices of the abolishment of tariffs will be small. We need to focus on specific products to find significant potential. But even for textiles, only the cost of goods sold (COGS) are reduced while other costs reflected in consumer prices are unaffected.

## The Swiss Trade Monitor

Switzerland is a small open economy. The international exchange of goods and services is crucial for the nation's economic prosperity. The aim of the *Swiss Trade Monitor* is to both document key trends in Switzerland's foreign trade as well as analyze important topics related to it. Its ninth edition explores Switzerland's abolishment of tariffs on industrial goods. We document the scope of this policy move and put things into perspective, highlighting which product groups are most affected. The source of data for this report is the Swiss Federal Office for Customs and Border Security (FOCBS). The trade data exclusively considers goods trade without gold and other precious metals (the FOCBS refers to this as "Total 1").

# Abolishment of Tariffs on Industrial Goods

After a lengthy political process initiated around the year 2016, the Federal Council decided to abolish all tariffs on industrial goods while simultaneously simplifying the Swiss customs tariff structure as of January 1st, 2024. In general, industrial goods are all products not covered by the agricultural HS-chapters 1 to 24 (with some exceptions in chapters 35 and 37).<sup>1</sup>

By means of the abolishment of industrial tariffs, the Swiss Federal Council aims to reduce the high price levels in Switzerland relative to its neighboring countries. Cutting import duties and trade-related administrative efforts, importers of intermediate and consumer goods shall benefit from reduced costs which are then assumed to be passed on to consumers in competitive markets.

Next to slashed customs duties, the policy aims to reduce the administrative burden for firms engaged in international trade. On the one hand, a simplified tariff structure enhances the efficiency of customs clearance. In addition, certificates of origin are no longer required as FTAs and the relevancy of a good's origin lose their importance. One caveat, however, is that this will *de facto* only apply to goods which will remain in Switzerland. If goods are re-exported again, certificates of origin may well be required at their next destination (e.g., for the so-called cumulation of origin).

Next to indirect cost savings from intermediate goods, Swiss consumers shall benefit directly from the measures as tariffs on various consumer goods are abolished as well. Specifically, the State Secretariat for Economic Affairs (SECO) lists cars, bicycles, personal care products, household appliances and clothing as examples of consumer goods set to benefit from abolished customs duties. The Federal Council plans to monitor the extent to which savings from customs duties will be passed on to consumers.<sup>2</sup> Based on data from 2016, studies commissioned by the SECO estimated a welfare increase of 860 million Swiss Francs.<sup>3</sup> This comprises 490 million of tariff savings, 100 million reductions in administrative costs, and 270 million of indirect effects.

Adding to these previous studies, our report provides an updated account of the potential savings from the elimination of customs duties. We document the scope of the tariff reductions and show which product groups are most affected. Based on this we analyze the key product group — clothes (HS-chapters 61 to 63) — in more detail.

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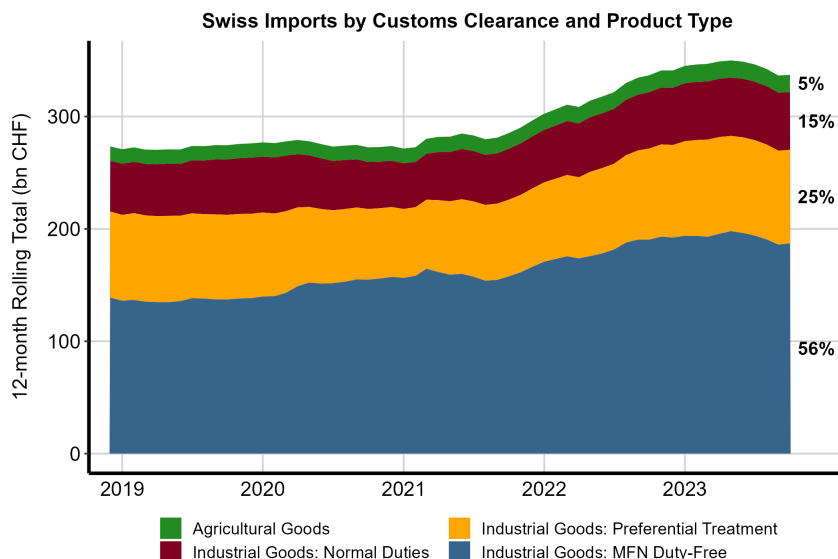
<sup>1</sup>Please refer to the Appendix for an overview of HS chapters.

<sup>2</sup>Details are described in Niclas Meyer, Lukas Mergele, and Jonas Lehmann (August 2023), “Die Wirkung des Industriezollabbaus auf Konsumentenpreise” [in German].

<sup>3</sup>See WBF (December 2017), “Mit Importerleichterungen gegen die Hochpreisinsel”, 233.3-00001 COO.2101.104.2.2434929, [in German].

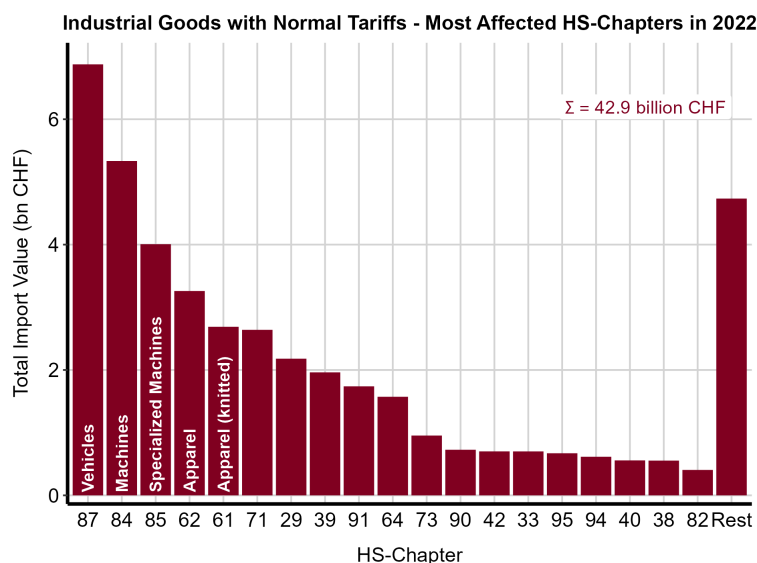
# Which imported products are affected?

The figure below provides a big-picture overview of the affected import volumes and products. Based on 2022 data, only about 15% of Swiss imports (43 billion Swiss Francs) will no longer be subject to customs duties. Most imports (56%) are duty-free anyway, about 25% benefit from preferential treatment (mostly due to free trade agreements), and 5% are agricultural goods.



*Note:* The figure shows 12-month rolling Swiss imports by customs treatment and type of product. Percent values do not necessarily add up to 100 due to rounding.

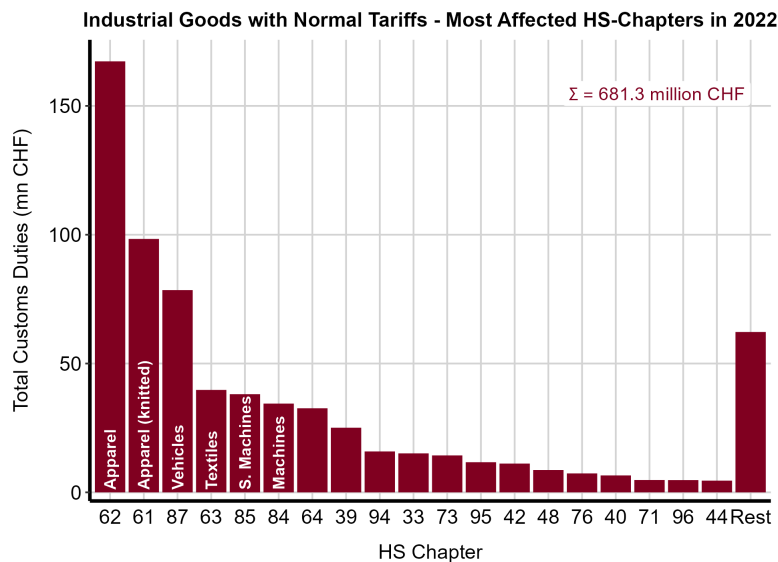
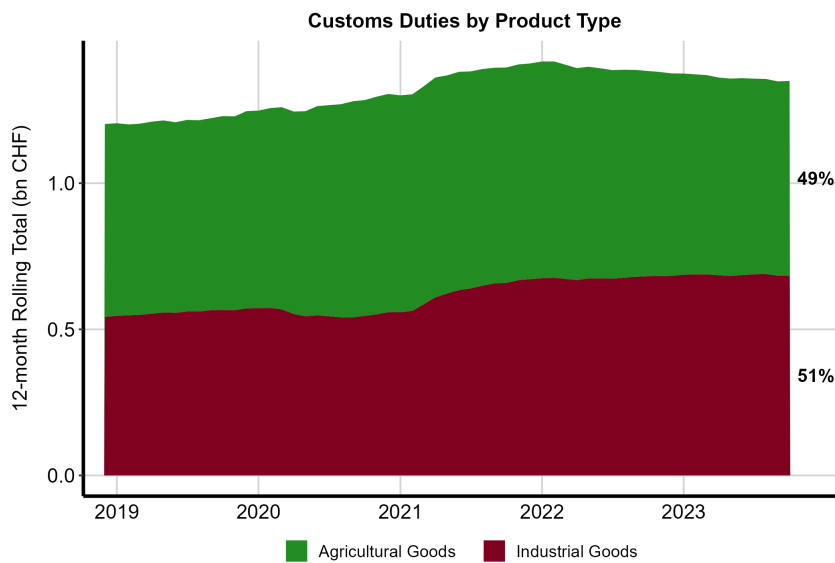
Sorted by import value, the main product groups to benefit are vehicles, machines and apparel. Note that following chart merely shows the products currently subject to import duties which will be affected by the abolishment of industrial tariffs (the red area in the chart above).



*Note:* The figure breaks down imports of industrial goods subject to normal duties by product groups. Import values are based on trade in 2022.

# How are tariff revenues affected?

The two figures below display the customs duties collected by product type and, for industrial products, which product groups contributed the most tariff revenue in 2022. Roughly 51% of customs duties (681 million Swiss Francs) will be eliminated following the abolishment of industrial tariffs. Note that this reflects gross tariffs: taking into account reimbursements the net amount will be about 600 million CHF.<sup>4</sup> Of this, the lower figure shows that apparel (HS chapters 61, 62, and 63), vehicles (HS chapter 87) and machines (HS chapters 84 and 85) account for the lion's share.



Note: The figures show the largest HS-chapters affected by industrial tariffs cuts based on 2022 trade data. The goods space covers all industrial goods subject to normal and preferential customs.

<sup>4</sup>For more details, we refer to Thomas A. Zimmermann (2023), “A case of unilateral trade liberalization: The autonomous abolition of industrial tariffs by Switzerland in 2024” (*Aussenwirtschaft*, 73.1) as well as “Wie die Schweiz vom Abbau der Industriezölle profitiert”, *Die Volkswirtschaft*, 04. Dezember.

## Which products are most affected?

It is important to connect the charts presented thus far. First, we considered affected product groups by import volume. Second, we saw tariff revenue per product group. While vehicles were the most affected product group by import volume (more than 6bn CHF as seen in the earlier chart), apparel (HS 61, 62, and 63) accounts for a much larger share of customs duties (more than 300m CHF). This observation is relevant for the remaining sections of this report in which we discuss the *relative* impact on goods: for which product groups is the abolishment of tariffs most relevant. Finally, it is worth pointing out that customs duties on agricultural products make up 49% of total Swiss tariff revenues while only constituting around 5% of total import volumes. The potential to cut consumer prices caused by customs duties can clearly be found the most in the agricultural sector.<sup>5</sup>

Focusing again on industrial products, the following table shows the 15 product groups with the highest average implied ad valorem tariff rates, for product groups exceeding one billion Swiss Francs in annual imports in 2022.<sup>6</sup>

HS	Description	Imports (bn CHF)	Duties (mn CHF)	Ad-Valorem Tariff (%)
62	Apparel	3.2	164.5	5.1
61	Apparel (knitted)	2.6	96.0	3.7
94	Furniture	0.6	15.9	2.6
33	Essential Oils	0.7	15.1	2.2
64	Footwear	1.6	32.6	2.1
95	Toys	0.7	11.7	1.7
42	Leather Articles	0.7	11.2	1.6
73	Iron and Steel Goods	1.0	14.3	1.5
39	Plastics	2.0	25.1	1.3
40	Rubber Articles	0.6	6.6	1.2
87	Vehicles	6.9	78.5	1.1
85	Specialized Machines	4.0	38.1	1.0
84	Machines	5.3	34.5	0.6
90	Optical Instruments	0.7	2.9	0.4
38	Misc. Chemical Products	0.6	2.1	0.4

*Note:* The table shows total imports in 2022, customs duties and implied ad valorem tariff rates (= duties / imports) of the 15 most affected product groups (HS chapters). The table is sorted by the ad valorem tariff rate in decreasing order and only covers goods with total imports exceeding 500 million CHF. Note that imports refer to goods subject to normal tariffs.

Two patterns emerge from the table. First, apparel face the highest average implied ad valorem tariff rates of all product groups with import volumes exceeding one billion Swiss Francs. They

<sup>5</sup>We discuss this sector in detail in our 7th Swiss Trade Monitor report, entitled “Agricultural Protectionism”.

<sup>6</sup>Average implied ad valorem rates are defined as total duties relative to total imports of each product group’s goods that are subject to normal tariff rates. We display ad valorem rates as they ensure a sufficient level of comparability across product groups. Specific tariffs cannot be compared across product groups in a feasible manner.

are followed by furniture, oils, footwear and toys — all of which, however, have significantly lower import volumes. Second, the ad valorem tariff rates are generally very low. In the product group of vehicles (HS-87), for instance, about two thirds of the 16 billion CHF imports in 2022 were motor cars designed for the transport of persons (HS-8703). The average ad valorem tariff in this 4-digit heading was just 0.6 percent. Hence, a typical car faces an import duty of about 200 CHF when no free trade agreement is utilized.<sup>7</sup>

From the analysis thus far, it is clear that among the goods affected by the abolishment of tariffs, the group of apparel (HS-61 and HS-62) is most relevant. It has both high import volumes and high implied ad valorem rates. Most imported apparel can also be marked as direct consumer goods as it hits the shelves once arriving in Switzerland. This makes it an interesting case study to gauge the effects of the abolishment of tariffs on consumer prices.

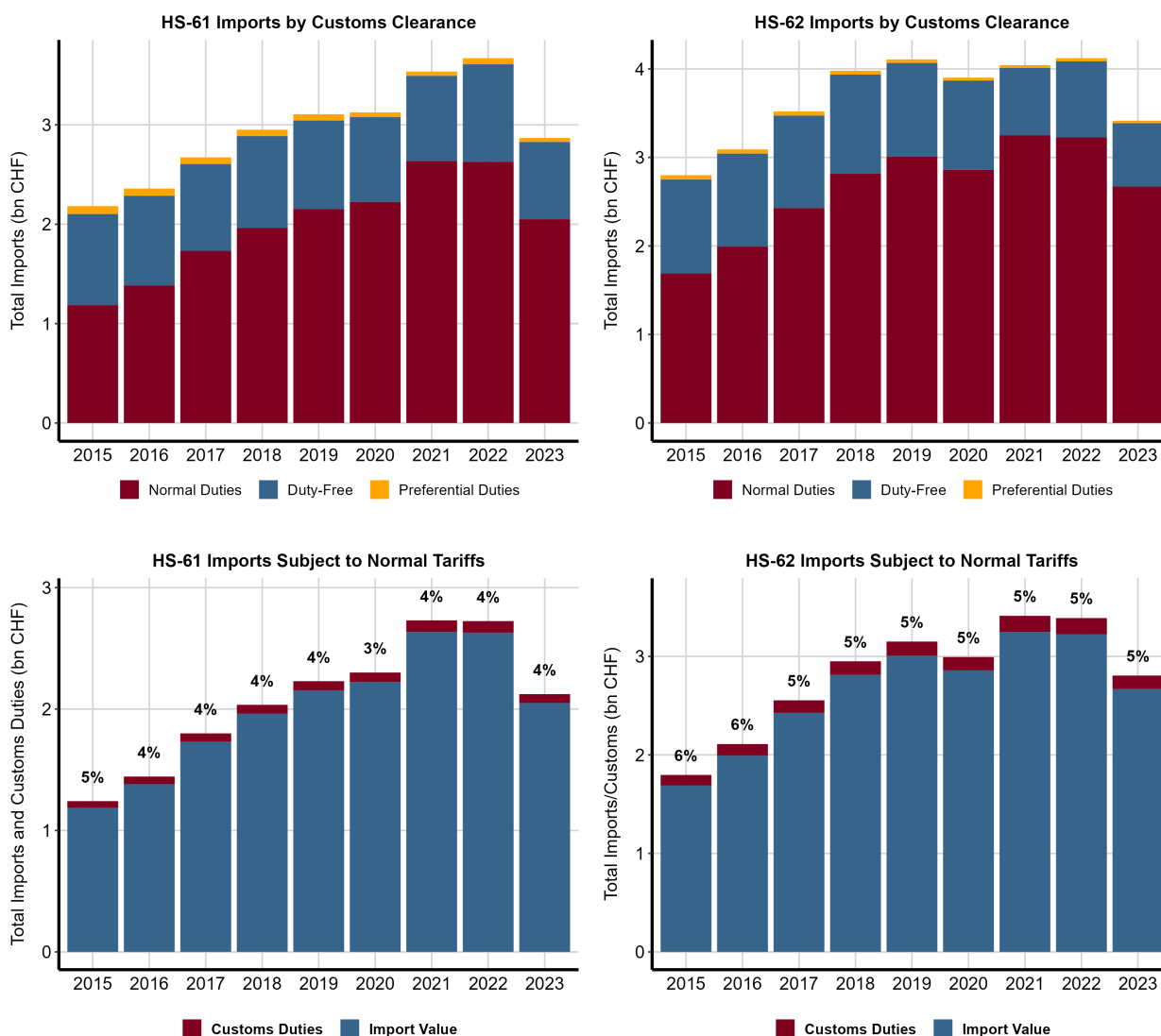
## Detailed Look at Apparel Imports

The graphs below show import volumes by customs treatment and total customs duties as a share of total imports subject to normal tariffs, for HS-61 (left) and HS-62 (right) goods. An overwhelming amount of imports are either subject to normal duties or zero duties. Only a minority of imports benefits from preferential duties, likely due to the GSP/LDC programs. Duty-free imports are cleared with proofs of origin such that they can benefit from existing FTAs. The relatively high share of imports subject to MFN tariffs, which however could benefit from FTAs, implies a low preference utilization rate (PUR).<sup>8</sup>

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<sup>7</sup>Swiss import duties are based on the weight of goods, not their value. A typical car is charged 15 CHF per 100 kilograms. Thus, a 1'500kg car would be subject to a 225 CHF duty.

<sup>8</sup>For more information on preference utilization in Switzerland please take a look at Stefan Legge and Piotr Lukaszuk (2019), “Analyse zur Nutzung von Freihandelsabkommen im Auftrag des SECO” [in German].



*Note:* The figures show total imports by customs treatment (top row) and total customs duties as a share of import volumes of goods subject to normal tariffs (bottom row) for goods in chapters HS-61 (left) and HS-62 (right). Figures in the bottom row indicate implied ad-valorem tariff rates. Data for the year 2023 only covers the first ten months.

If we view the effective charge of customs duties as mark-ups on the imported apparel, eliminating tariffs could slash mark-ups on the imports in the range of 4–5%. Other things equal, the potential cut in average apparel costs would therefore be in the aforementioned range. From a retailer perspective, the cut only affects the costs of goods sold (COGS). It does not alter other costs which ultimately determine consumer prices. Moreover, it remains unclear what fraction of the 4–5% reduction in COGS large retailer will pass on to consumers in Switzerland.<sup>9</sup>

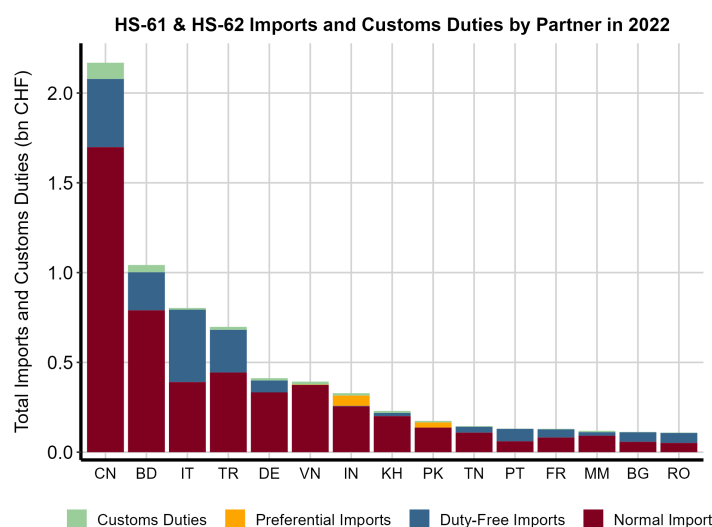
<sup>9</sup>Direct shipments to consumers are also contained in the statistics. However, only if they exceed the minimum threshold of the packaging weight. Consumers clearly benefit from the elimination of tariffs in this case as the duties are most often at their expense.

## The impact on consumer prices — An example

To get a sense of possible effects on consumer prices, consider a shirt that currently sells for a net price of 60 CHF. The value-added tax in 2023 is 7.7% and we assume a wholesale price of 24 CHF as well as an ad valorem tariff of 5%. Hence, the retail price is 64.40 CHF (including 1.20 CHF of import duty, 4.60 CHF VAT, and a margin of 34.80 CHF that captures other costs). In 2024 without any change to the absolute margin for the selling company, the retail price will fall to 63.60 CHF because the import duty is zero and the VAT increases to 8.1%. The consumer thus faces a 1.2% decrease in price.

## What are the key countries of origin for apparel?

In the following chart, we break down HS-61 and HS-62 imports to the level of trade partners. This reveals which countries might benefit the most from the abolishment of Swiss import duties. The largest two — China and Bangladesh — stand out due to their high exports to Switzerland and low share of duty-free products. In contrast, European countries such as Italy and Turkey have a higher share of duty-free exports. Note as well the share of preferential imports from India and Pakistan that still benefit from the GSP program.



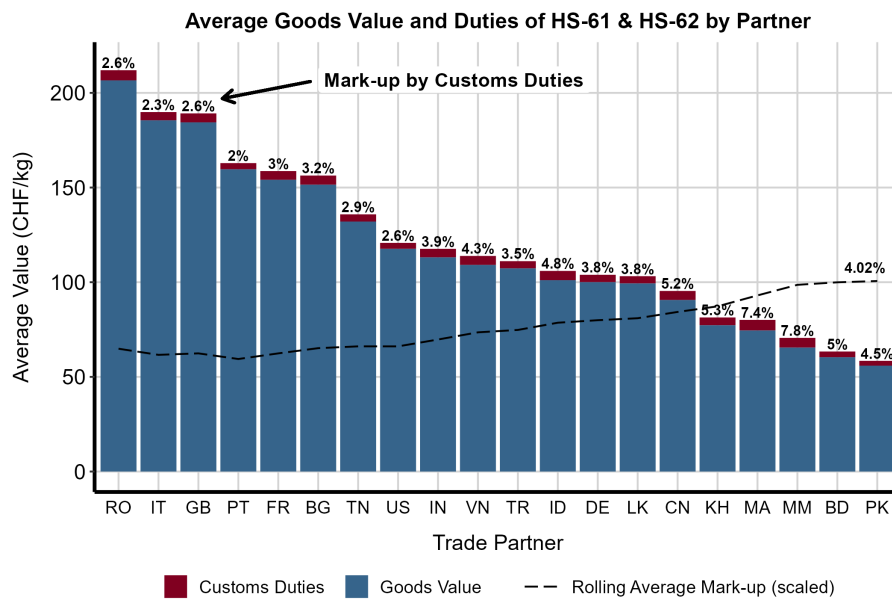
*Note:* The figure shows HS-61 and HS-62 import volumes by customs treatment and total customs duties for Switzerland's largest 15 import partners. In the appendix, we provide a list of country abbreviations.

Textiles that Switzerland imports differ across countries of origin. While low-value apparel products are usually manufactured in low-income countries, more expensive products often come from European countries. The latter also benefit from preferential treatment to the extent that they utilize existing free trade agreements. Differences in the value of textiles is important for the abolishment of Swiss tariffs because the latter are defined in terms of Swiss Francs per 100 kilograms. As such, cheaper textiles benefit more in relative terms (see the box for an example).

## The impact of tariffs varies by product value — An example

Consider the import of a women’s coat (knitted and made of wool, tariff number 6102.1000) into Switzerland. Assuming a single coat weighs around 800 grams and is subject to the normal (MFN) customs duty of 465 CHF per 100 kilograms. A single coat is thus charged with approximately 3.72 CHF of duties. This must be compared to the price of the coat which can be around 100 CHF for a cheaper one and around 500 CHF for a more premium model. Both coats are subject to the same *absolute* amount of duties. However, the budget coat is subject to an implied ad valorem tariff rate of 3.72% while the implied tariff rate for the premium coat is only 0.74%.

The figure below demonstrates this pattern. Average import values (per kg) and customs duties are displayed for the 20 largest exporters of apparel to Switzerland. European trade partners stand out for their high average goods values. While Italy, Great Britain, and France are known for their designer and haute-couture fashion industries, other European countries such as Romania and Bulgaria are very attractive apparel manufacturing locations due to their proximity to Western Europe and membership in the European Union.



*Note:* The figure shows average goods values and customs duties of HS-chapters 61 and 62 per kilogram for the 20 largest trade partners. Percentage figures indicate average implied ad-valorem tariff rates. Note that the figure only includes imports subject to normal tariff rates.

In addition to the average value of textiles, the chart also shows another pattern arising due to Switzerland’s trade policy: the mark-up effect of specific tariffs. Because Swiss import duties are charged based on the weight of the imports (as opposed to a true ad valorem rate which is based on the value), higher-value goods benefit from lower mark-ups. The abolishment of tariffs will thus favor lower-value textiles — and thus lower-income households.

## Appendix: HS Chapters — Descriptions

HS	Products	HS	Products
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

## Appendix: Trade Partners

ISO	Country	ISO	Country	ISO	Country
AE	Arab Emirates	GR	Greece	NI	Nicaragua
AF	Afghanistan	GT	Guatemala	NL	Netherlands
AL	Albania	GU	Guam	NO	Norway
AM	Armenia	HK	Hong Kong	NP	Nepal
AO	Angola	HN	Honduras	NZ	New Zealand
AR	Argentina	HR	Croatia	OM	Oman
AT	Austria	HU	Hungary	PA	Panama
AU	Australia	ID	Indonesia	PE	Peru
AW	Aruba	IE	Ireland	PH	Philippines
AZ	Azerbaijan	IL	Israel	PK	Pakistan
BA	Bosnia-Herzeg.	IN	India	PL	Poland
BD	Bangladesh	IQ	Iraq	PS	Palestine
BE	Belgium	IR	Iran	PT	Portugal
BG	Bulgaria	IS	Iceland	PY	Paraguay
BH	Bahrain	IT	Italy	QA	Qatar
BL	St Barthélemy	JM	Jamaica	RO	Romania
BO	Bolivia	JO	Jordan	RS	Serbia
BR	Brazil	JP	Japan	RU	Russia
BS	Bahamas	KE	Kenya	SA	Saudi Arabia
BW	Botswana	KG	Kyrgyzstan	SB	Solomon Islands
BY	Belarus	KH	Cambodia	SD	Sudan
CA	Canada	KR	South Korea	SE	Sweden
CD	Congo (RDC)	KW	Kuwait	SG	Singapore
CG	Congo, Rep. of	KY	Cayman Islands	SI	Slovenia
CI	Côte d'Ivoire	KZ	Kazakhstan	SK	Slovakia
CL	Chile	LA	Laos	SM	San Marino
CM	Cameroon	LB	Lebanon	SN	Senegal
CN	China	LK	Sri Lanka	SV	El Salvador
CO	Colombia	LT	Lithuania	SX	St Maarten
CR	Costa Rica	LU	Luxembourg	SY	Syria
CU	Cuba	LV	Latvia	TG	Togo
CY	Cyprus	LY	Libya	TH	Thailand
CZ	Czechia	MA	Morocco	TM	Turkmenistan
DE	Germany	MD	Moldova	TN	Tunisia
DK	Denmark	ME	Montenegro	TR	Türkiye
DO	Dominican Rep.	MG	Madagascar	TW	Taiwan
DZ	Algeria	MH	Marshall Isl.	TZ	Tanzania
EC	Ecuador	MK	North Macedonia	UA	Ukraine
EE	Estonia	ML	Mali	UG	Uganda
EG	Egypt	MM	Myanmar	US	USA
ES	Spain	MN	Mongolia	UY	Uruguay
ET	Ethiopia	MO	Macau	UZ	Uzbekistan
FI	Finland	MT	Malta	VE	Venezuela
FO	Faeroe Islands	MU	Mauritius	VG	Brit. Virgin
FR	France	MV	Maldives	VI	Amer. Virgin
GB	United Kingdom	MX	Mexico	VN	Viet Nam
GE	Georgia	MY	Malaysia	XK	Kosovo
GF	French Guiana	MZ	Mozambique	YE	Yemen
GH	Ghana	NE	Niger	ZA	South Africa
GP	Guadeloupe	NG	Nigeria	ZW	Zimbabwe