International Market Access

Switzerland Needs ***Openness Instead of Great Power Politics***

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At a glance

- Switzerland cannot afford to engage in great-power politics and must focus on openness rather than isolation and subsidies.
- Diversification is the best safeguard against geopolitical d ependencies and economic uncertainty.
- Companies need flexibility rather than industrial policy to adapt quickly to a fragmented global economy.

Geopolitical conflicts, rising protectionism, and a resurgence of industrial policy are fundamentally transforming the global economy. International markets are becoming less predictable for companies: sanctions, export controls, subsidies, investment restrictions, and political tensions are making it more difficult to a ccess markets, technologies, and capital. At the same time, globalization i s stagnating, while major economic regions are responding to intensified in ternational competition with extensive industrial policy programs.

What are the implications of this for Switzerland? How should it respond to this changing global situation, and what strategies are available to it?

As part of a working paper for the Lugano Global Forum, we explored this question in depth.

Great-power politics is not compatible with small economies

Switzerland cannot simply copy the strategy of a large country. It has neither a large domestic market nor significant fiscal resources or geopolitical power, un like, for example, the United States or China. While large countries can use ta riffs, subsidies, or regulatory measures as economic policy tools and pass on part of the costs to other countries, the same strategy would simply be ha rmful to small economies like Switzerland. Tariffs make intermediate goods an d consumer goods more expensive domestically, and large-scale subsidy pr ograms result in very high costs per capita. They neither yield international co mpetitive advantages nor build up a potential for deterrence. It would therefore be a mistake for Switzerland to simply replicate the policies of major economic po wers on a smaller scale.

Openness is essential for Switzerland

Its strength lies rather in its openness, international networks, and adaptability. Switzerland should focus on four strategic priorities:

First, Switzerland must be economically open and integrated. It must expand its network of free trade agreements and strengthen existing ones. It is also important to stabilize relations with the EU. Furthermore, it must ensure access to international research networks, capital, and a skilled workforce. For a small

economy, openness is not an end in itself, but rather a substitute for the lack of a large domestic market.

Second, Switzerland needs resilience, but not self-sufficiency. Not every dependence on imports poses a strategic threat. Dependence becomes critical when the supply is highly concentrated, finding a substitute is difficult, and a disruption would have serious economic or security implications. Such risks should primarily be mitigated through diversified suppliers, markets, transport routes, and technologies. Domestic production capacity or mandatory stockpiles are only justified where they specifically reduce genuine vulnerabilities.

Third, Switzerland must expand its limited international influence through cooperation. In addition to maintaining important relationships with the EU and its EFTA partners and strengthening the WTO, Switzerland should seek to form coalitions with like-minded open economies. Together, small countries can carry more weight and better withstand economic pressure and further fragmentation of the global economy.

Fourth, Switzerland should focus on creating favorable framework conditions rather than on providing targeted support to individual industries and companies. Competitive taxes, sound public finances, efficient regulation, high-quality education and research, an efficient infrastructure, and legal certainty enable companies to adapt to technological and geopolitical changes.

Companies need room to maneuver

Switzerland's response to a geopolitically fragmented world is therefore neither isolationism nor the imitation of the policies of major economic powers. Rather, Switzerland, as a small country, should give companies the necessary leeway to tackle these challenges on their own: Optimal access to as many markets as possible expands sales territories and reduces dependencies through diversification. Favorable framework conditions ensure adaptability. Streamlined regulations lower costs and increase flexibility. Closer international cooperation with like-minded, open countries creates additional clout.

Discussion Paper

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