SWITZERLAND'S CRITICAL INPOS DEPENDENCIES

Increased specialisation and optimisation of global value chains expose Swiss firms to global uncertainty, disruptions and price increases.

2022

Switzerland is dependent on imports of 500+ products from countries outside the EU



Global supply chain

exposure requires

strategic responses

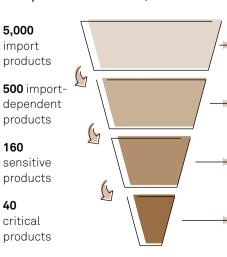


International trade enables Swiss firms to specialise and access a larger variety of imports.

But increased specialisation and value chain optimisation also expose Swiss firms to global uncertainty, disruptions and price increases.



Some of the current supply shortages are due to temporary disruptions (caused for example by lockdowns during the COVID-19 pandemic or the Russian invasion of Ukraine). Other shortages are due to structural factors that require strategic responses by firms and the government.



40

Switzerland imports **~5,000** products from countries outside the EU (third countries).

For ~500 products, 2-3 third countries account ➢ for more than 50% of total imports, and local production is insufficient to cover demand.

~160 products are potentially sensitive products, such as raw materials, active pharmaceutical ingredients or industrial supplies.

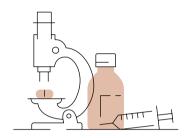
For ~40 products, the high concentration of global production prevents Switzerland from diversifying imports towards other countries or own products.

¹ European Commission (2021), Strategic Dependencies and Capacities.

SWITZERLAND **IS IMPORT** DEPENDENT ON 500+ PRODUCTS

Based on a methodology from the European Commission¹, we find that:

Switzerland is both import dependent on production factors and final goods



Large number of critical import dependencies within chemicals and pharmaceuticals **25** of the **40** critical import-dependent products (63%) are within "chemicals and pharmaceuticals", including active pharmaceutical ingredients and some health-related products.

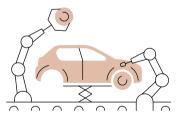
The **remaining 15** critical import dependencies belong to seven different product groups and mostly include raw materials and intermediate goods to be used in Swiss production.

Chemicals and pharmaceuticals	\bigcirc				63%
Base metals and articles thereof	٢	-	10%		
Machinery and electronic products	1	-	10%		
Plastic and rubber		•	5%		
Precious metals	Õ	•	5%		
Mineral products	3K	•	3%		
Means of transport	<u>_</u>	•	3%		
Wood and articles thereof	\odot	•	3%		
	0%	20%	40%	60%	80%

Looking at the distribution of critically dependent import products by import value, **means of transport** stand out.

94% of the value of critically dependent means of transport products are imported from third countries, including military transport.

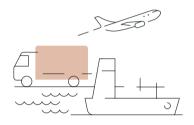
Means of transport	-		_		74	4%
Chemicals and pharmaceuticals	\bigotimes	-	10%			
Machinery and electronic products	1	-	10%			
Plastic and rubber		•	4%			
Base metals and articles thereof	٢	I	1%			
Precious metals, pearls and imitation jewellery	Õ		0%			
Mineral products	3K		0%			
Wood and articles thereof	\odot		0%			
	0%	20%	40%	60%	80%	



Switzerland is highly dependent on importing means of transport

Switzerland's critical import dependencies are concentrated in five third countries





Switzerland is primarily dependent on imports from five third countries

Switzerland imports most critical importdependent products from five countries: the United States (31 products) followed by the United Kingdom (27 products), China (26 products), India (18 products) and Japan (14 products).



Most of the import-dependent products are raw materials that are used by Swiss manufacturing firms.

Japan

- (14 products) Chemicals and pharmaceuticals (57%)
- Units of automatic data processing machines and engines (21%)
- Rubber and plastic (14%)
- Bamboo charcoal (7%)

China

- (26 products) Chemicals and pharmaceuticals (65%)
- Base metals, e.g. magnesium and cobalt (8%)
- Rubber and plastic (8%)
- Units of automatic data processing machines, duplicating machines, bamboo charcoal and diamonds (18%)

TOP 5 EXPORTERS OF SWITZERLAND'S CRITICALLY **IMPORT-**DEPENDENT PRODUCTS

United States (31 products)

- Chemicals and pharmaceuticals (61%)
- Units of automatic data processing machines, engines and turbo jets (13%)
- Base metals, e.g. magnesium and cobalt (10%)
- Aeroplanes, gloves, wood, metals and other dependencies (16%)

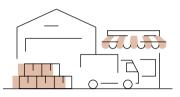
United Kingdom (27 products)

- Chemicals and pharmaceuticals (56%)
- Units of automatic dataprocessing machinesand turbo jets (11%)
- Base metals, e.g. berylliumand cobalt (11%)
- Metals, cobalt ores and concentrates, bamboo charcoal and other dependencies (22%)
- (18 products)
- Chemicals and pharmaceuticals (78%)

India

- Rubber and plastic (11%)
- Units of automatic data processing machines, cobalt mattes and other intermediate products of cobalt . (11%)

Switzerland also imports 13 critical import dependent products via the EU



Swiss companies are import dependent on 13 products from the EU that originate from third countries

Switzerland is dependent on importing 13 products from the EU that originate in third countries and where the EU is dependent on importing the products from third countries.

9 of the 13 indirect critical import-dependent products (69%) are within "chemicals and pharmaceuticals" and "mineral products".



Switzerland's indirect import dependencies



Switzerland is dependent on importing 40 critical products from third countries - direct import dependency on third countries



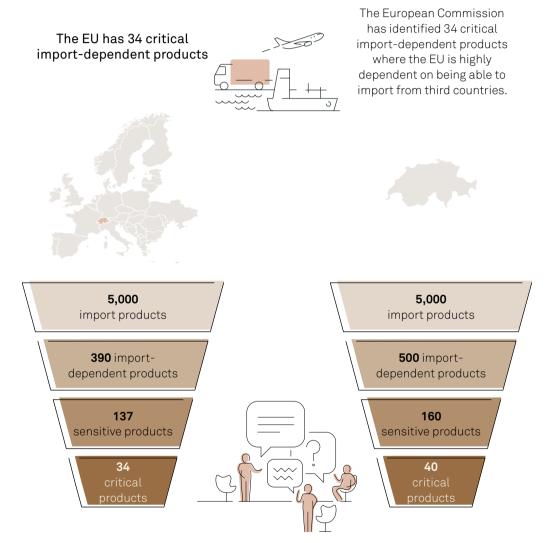




The EU is dependent on importing 34 critical products from third countries

Switzerland is dependent on importing 13 of the 34 critical products from the EU - indirect import dependency on third countries

Switzerland may have some overlapping import dependencies with the EU



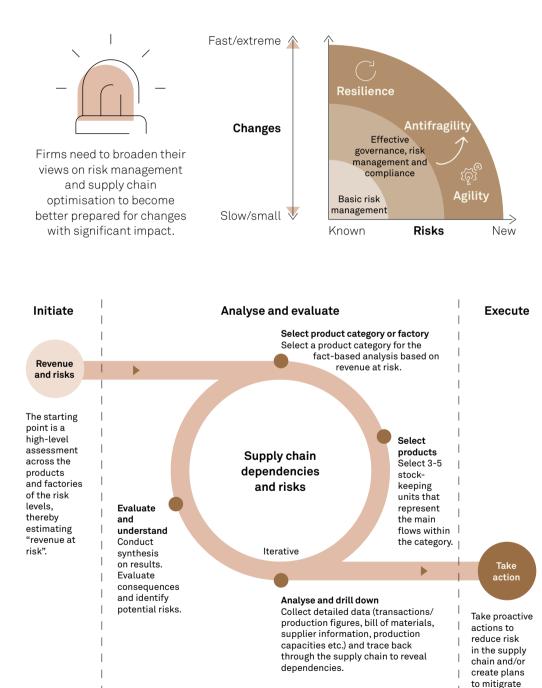
Do Swiss and EU import dependencies overlap?

Swiss policymakers need to balance gains from international trade against the dependencies and global exposures that follow.

Swiss policymakers may want to:

- Map and monitor import dependencies.
- Ensure good global market access for Swiss firms to diversify their supply chains.
- Identify critical products for Swiss strongholds and political strategies.

Import dependencies expose firms to global risks



risks.



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