

EFTA FREE TRADE AGREEMENTS AND SWISS FOREIGN ECONOMIC POLICY



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Switzerland's economic welfare is heavily dependent on foreign trade and investment as its home market is relatively small and the country has few natural resources. It is therefore a prime objective of Switzerland's foreign economic policy to ensure that its economic operators enjoy open and predictable market access conditions around the world. Swiss trade policy, as regards market access, rests on three main pillars: membership of the WTO, bilateral agreements with the European Union, and the conclusion of preferential agreements with partners outside the EU.

While foreign trade interests of small and medium-sized economies are, in principle, best served by multilateral liberalisation, entering into preferential agreements with selected trading partners has become an important additional instrument for maintaining and improving the competitiveness of the Swiss economy in world markets. In particular, Swiss operators will be at a competitive disadvantage due to preferential agreements concluded between our trading partners if we ourselves do not conclude agreements with these same partners.

Since the 1990s, the number of regional and trans-regional preferential agreements has increased considerably. It is unlikely that what has become a worldwide trend will diminish in the foreseeable future. In this context, the European Union has extended its network of association agreements, which originally focused on central/eastern European and Mediterranean countries, to economic partners outside the Euro-Mediterranean area (Mexico, Chile and South Africa). Negotiations are being held with MERCOSUR and the GCC. In their trade liberalisation efforts, the USA are also increasingly resorting to free trade agreements. Such agreements have been concluded, among others, with Canada and Mexico (NAFTA), Israel, Morocco, Chile, Australia and Singapore. Other agreements (e.g., with the Republic of Korea and Malaysia) are under negotiation. Japan too has started to negotiate free trade agreements with selected partner countries, mostly in south east Asia (Singapore, Thailand and the Republic of Korea) and across the Pacific Ocean (Mexico and Chile). More recently, India and China also started considering preferential agreements.

Against the background of these trade policy developments, free trade agreements are key to maintaining diversified foreign economic relations for Switzerland. No doubt similar considerations hold for the other EFTA States. In the last 15 years the EFTA States have concluded a considerable number of free trade agreements with countries in Europe, the Mediterranean region and overseas. In the early 1990s, EFTA started to develop, in parallel with the European Union, free trade relations firstly with transition economies in central and eastern Europe. From the mid-1990s, the network of EFTA free trade agreements started extending to the Mediterranean region. The conclusion of free trade agreements with the

Mediterranean countries was a pre-condition for EFTA's participation in the Euro-Mediterranean free trade area emerging under the Barcelona Process. Furthermore, since 2000, EFTA has been extending its network of free trade agreements to partners beyond the Euro-Mediterranean region. So far, overseas free trade agreements have been concluded with Mexico, Singapore, Chile, the Republic of Korea and SACU.

The main objective of EFTA's FTA policy is to improve market access and to maintain the competitiveness of EFTA economies. EFTA's FTAs mitigate actual and potential discriminations ensuing from preferential agreements concluded between main trading partners. And this is not only with respect to trade in goods. Given the structure of the well developed, broadly diversified knowledge-based economies of the EFTA States, it is particularly important that EFTA free trade agreements also aim at liberalising trade in services. They should also facilitate establishment, enhance protection of investments and intellectual property rights, and improve access to public procurement markets. From a Swiss perspective, all these dimensions of international economic relations are of high and growing importance. Therefore, EFTA will remain an important platform for Swiss foreign economic policy as long as EFTA FTAs allow for the establishment of

preferential relations with relevant trading partners in all these policy areas.

By strengthening the conditions for foreign trade and international investment, comprehensive free trade agreements contribute to maintaining and enhancing the international competitiveness of the economies of Switzerland and the other EFTA coun-

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tries. I am convinced that it is in the best interest of all EFTA Member States to build on, and continue, the ambitious EFTA third country policy. At the same time, we have to make sure that the free trade agreements we conclude complement and reinforce our efforts in the WTO. While free trade agreements provide an opportunity to attain, with selected partners, a level of liberalisation beyond the level that prevails at the multilateral level, they cannot replace the multilateral approach. A successful conclusion of the Doha Round of multilateral trade negotiations is of utmost importance for any country that makes open markets its strategy of development and prosperity. Our free trade agreements are building blocks for further liberalisation of worldwide economic relations and a more efficient use of world resources. ■



Emerging markets offer interesting business opportunities. In 2004, exports in Swiss-made timepieces to China, the United Arab Emirates and Russia shot up to 41.7%, 27% and 17.1% respectively. Switzerland is the world's largest watch manufacturer, and watches are her third biggest export.