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39% U.S. Tariff: Impact on the Swiss Economy

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On August 1, 2025, the U.S. government under President Donald Trump announced a steep increase in tariffs on Swiss industrial goods, raising the rate from 31% to 39%. The measure, effective August 7, applies to all non-agricultural products and clearly exceeds the 15% rate agreed with the European Union. The announcement caught Switzerland off guard—having abolished all industrial tariffs earlier this year and granted 99% of U.S. goods duty-free access. The U.S. administration justified the move by claiming that Switzerland refused to make "meaningful concessions" and maintained an excessive, unilateral trade surplus. At the same time, Washington sent warning letters to 17 pharmaceutical companies—including Novartis and Roche—demanding price cuts by September 29, 2025. Otherwise, special tariffs of up to 200% on pharmaceuticals would follow.

The U.S. is Switzerland's most important export market: According to Reuters, in 2024 Switzerland exported goods worth CHF 65 billion to the U.S.—about one-sixth of total exports—resulting in a trade surplus of CHF 38.7 billion. The main export categories include pharmaceuticals, watches, machinery, and chocolate. A significant portion—USD 15.73 billion—is made up of gold and gemstones imported for refinement and re-exported. Excluding gold, exports amount to around CHF 53 billion, according to Startupticker.ch.

The tariff increase, together with the pressure for drug price cuts, represents a major burden on Switzerland's highly export-oriented economy.

AFFECTED SECTORS AND COMPANIES

Pharmaceutical Industry

Pharmaceuticals are by far Switzerland's top export to the U.S. According to UN COMTRADE, exports in 2024 reached USD 35–45 billion, representing around 60% of total bilateral trade. Initially exempt from the 39% tariff, the sector is now the focus of U.S. price-cut demands. On August 1, 2025, the U.S. government sent letters to 17 pharmaceutical companies calling for "specific commitments" to lower prices within 60 days. Analysts estimate that if implemented, the pricing measures could cost Novartis up to USD 800 million annually (approx. CHF 650 million), and Roche as much as CHF 1 billion.

This pressure affects a sector that generated CHF 30.9 billion in revenue in 2024 and, according to Roche CEO Thomas Schinecker, plans to invest USD 50 billion in the U.S. to expand production capacity and reduce tariff exposure. Schinecker also stated that prices could be cut by up to 50% if intermediaries were removed and products sold directly to consumers.

Watch Industry

According to Reuters, the Swiss watch industry exports about CHF 4.4 billion to the U.S., accounting for 16.8% of its total exports. Luxury brands like Rolex, Patek Philippe, and Omega are closely tied to their Swiss manufacturing base due to Swiss-Made regulations. A watch that previously cost USD 10,000 in the U.S. could rise to USD 13,000 post-tariff. Shifting production to the EU or U.S. could jeopardize the Swiss-Made label. Industry representatives warn that many small and medium-sized companies may no longer be able to afford access to the U.S. market.

Machinery, Electrical and Medical Technology

The mechanical, electrical, and metal (MEM) industries export goods worth several billion francs annually to the U.S. Swissmem, the sector association, described the 39% tariff as a "massive shock." Thanks to a free trade agreement, EU competitors pay only 15%. By mid-2025, one-third of Swissmem members had already introduced short-time work due to weak demand. The medtech and optics sectors—USD 4.36 billion in U.S. exports in 2024—face similar challenges, with many products bound by strict regulatory standards and difficult to relocate abroad.

Precious Metals and Other Goods

In 2024, USD 15.73 billion in precious metals and coins were exported to the U.S., mainly gold refined and re-sold in Switzerland. These transactions typically involve low value-added processing and distort the trade balance. Other key exports include machinery (USD 3.56 billion), organic chemicals (USD 1.98 billion), and coffee and spices (USD 1.18 billion).

IMPORTANCE OF U.S. EXPORTS FOR SWISS GDP

According to the World Bank, Switzerland's GDP in 2024 stood at USD 936.56 billion. At an assumed exchange rate of 1 USD ≈ 0.82 CHF, this corresponds to approximately CHF 824 billion. Exports to the U.S.—excluding gold—amount to around CHF 53 billion, or 6% of GDP. Including gold transfers (approx. CHF 14 billion), the total share rises to around 7.9%.

MACROECONOMIC EFFECTS OF THE 39% TARIFF

Export Decline and GDP Growth

Economists at the KOF Swiss Economic Institute warn of a significant slowdown in growth. According to Hans Gersbach, GDP could shrink by 0.2–0.3% if trade tensions persist—equivalent to about CHF 200 per person. If pharmaceuticals are additionally subject to tariffs or forced into 50% price cuts, GDP could decline by at least 0.7%.

Employment and Investment

The tariff burden is also weighing on investment and jobs. Many companies had already introduced short-time work due to a weak dollar. Now, with increased tariffs, layoffs and investment cutbacks are imminent. Many SMEs are considering relocating to the EU. For watchmakers, Swiss-Made restrictions make this nearly impossible—shrinking margins or higher prices may follow. Major firms such as Roche and Novartis have already begun shifting production and R&D to the U.S.

MEASURES TO MITIGATE THE IMPACT

Production and Supply Chain Strategies

- **Relocation or Localization:** Shifting certain manufacturing steps to the U.S. or the EU. The U.S. offers tax incentives for pharmaceutical investments—Roche plans to invest USD 50 billion.
- **Stockpiling:** Companies have accelerated shipments and built up inventory in the U.S. to cover initial demand.
- **Market Diversification:** Refocusing on the EU, Asia, and the Middle East can reduce U.S. dependency.
- **Value Optimization:** Emphasizing high-end products with lower price sensitivity and higher margins.

Pricing Strategies in the Pharmaceutical Sector

- **Direct Distribution:** Roche CEO Schinecker proposed bypassing PBMs and selling directly to patients—potentially enabling price cuts without tariffs.
- **Negotiations with U.S. Authorities:** The aim is to find a compromise between price concessions and investment commitments.
- **R&D Investment:** Greater research efforts can enhance product pipelines and support margins.
- **Production Shifts:** U.S.-based production can reduce tariff risk but involves high costs and regulation.
- **Generics and Parallel Imports:** More generics can reduce average prices without significantly harming core margins.

STOCK MARKET IMPLICATIONS

Watches and Luxury Goods

Declines are expected for Richemont and Swatch—these stocks have already been avoided due to currency headwinds.

Machinery and MEM Sector

MEM stocks were temporarily hit by the 39% tariff. ABB, Georg Fischer, and Sulzer saw losses, but their globally diversified operations may limit long-term damage. Investors are optimistic that Switzerland will negotiate improved market access.

Pharmaceutical Companies

Price threats have pressured Novartis and Roche shares. According to Reuters, European pharma stocks fell 1–4%. Investors fear a precedent. However, valuations remain stable, as confidence in the enforceability of U.S. demands and the strength of product pipelines remains high.

CONCLUSION AND OUTLOOK

The 39% U.S. tariff increase and the threat of drug price cuts represent one of Switzerland's most serious trade challenges in decades. With the U.S. market accounting for 6–8% of GDP, its importance remains critical. Beyond immediate price shocks, economic growth is at risk, jobs are under threat, and markets remain volatile.

Nonetheless, the situation is not hopeless. Switzerland can rely on its strong productivity, innovation, and political stability. Many experts view the tariff as a negotiating tactic that may settle at a more moderate level—around 15%. In pharma, direct distribution and U.S.-based investments could ease the pressure.

Over the long term, export market diversification, research expansion, and adaptive supply chains will be key to reducing reliance on the U.S. Switzerland's companies and policymakers must also champion multilateral frameworks and bilateral negotiations to prevent discriminatory tariffs.

The outcome of this standoff will help determine whether Switzerland can maintain its role as a leading high-tech export nation—or whether geopolitical shifts will reshape global supply chains for good.

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