

The frontalieri

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The third factor was the workforce. In the fourth quarter of 2012 Ticino counted 55,554 *frontalieri*, of whom 16,406 worked in industry, 9,416 in commerce and 8,229 in construction.¹ The provinces of Como and Varese, and to a lesser extent Verbano- Cusio-Ossola, provided a pool of warehouse workers, seamstresses, logisticians and administrative staff. They were willing to work in Switzerland for wages that were high by Italian standards and low by Swiss ones. Until 2023 their income was taxed under the agreement between Switzerland and Italy of 3 October 1974 on the taxation of crossborder workers. Ticino levied the tax at source and transferred part of it to the Italian border municipalities. The new agreement on the taxation of cross-border workers, in force since 17 July 2023 and applicable from 1 January 2024, changed this regime for new commuters. Chapter H.I treats both agreements.²

For employers the *frontalieri* offered several advantages at once. They spoke Italian, knew the products and could be recruited quickly. Their wage expectations were set by the Italian labour market across the border, which kept wages in the cluster below the Swiss median. In the manufacture of textiles, clothing and leather goods the standardized median gross wage was CHF 3,331 a month in 2016, a value that the cantonal statistical office described as far below that of the secondary sector in Ticino as a whole. About two-thirds of the employees in that sector were *frontalieri* in 2017.³ The same dependence later turned into a political liability, since the cluster could be presented as one that created jobs for Italian commuters and tax revenue for Swiss municipalities without benefiting the resident workforce.

1 Logistics, language and administration

The fourth group of factors concerned infrastructure and administration. The Mendrisiotto lies on the A2 motorway between Milan and the

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Gotthard, next to the Chiasso rail border station and about fifty kilometres from Milan Malpensa airport, which handles most of northern Italy's air freight. Customs brokers and forwarding agents with long experience of the Swiss-Italian border were available in Chiasso, Stabio and Mendrisio. Swiss customs law offered open customs warehouses and free zones in which foreign goods destined for re-export could be stored without duty or import VAT.⁴ Companies also valued the multilingual workforce of Lugano and the relatively short procedures for building and work permits. They could discuss their tax position with the cantonal tax administration in advance through a ruling. The IRE survey of 2013 confirmed that these factors, together with stable institutions and a shared textile tradition, were the reasons most often cited by firms.⁵

Essentials. The Fashion Valley rested on four factors that reinforced each other. These were the pre-2020 cantonal tax regimes for companies with mainly foreign business, the proximity of the Italian production districts, a large pool of *frontalieri* from Como and Varese and the customs and logistics infrastructure of the Chiasso-Mendrisio border. The tax advantage depended on the Swiss principal company really performing the functions that justify its profit. The Italian authorities challenged that condition, and TRAF abolished the cantonal tax regimes on 1 January 2020. With both developments the cluster lost the factor that had made the others decisive.

2 Notes

1. Maggi and Mini (May 2013, above), with figures for the fourth quarter of 2012. ↩
2. Agreement between Switzerland and Italy of 3 October 1974 on the taxation of cross-border workers and the financial compensation in favour of the Italian border municipalities, SR 0.642.045.43, <https://www.droit-bilingue.ch/de-fr/0.6/0.64/0.642.045.43-1-4.html>; Agreement of 23 December 2020 between Switzerland and Italy on the taxation of cross-border workers, Swiss Federal Tax Administration, country page "Italia", <https://www.estv.admin.ch/it/italia>. See Chapter H.I. ↩
3. Walker, I comparti economici (above), p. 14 ("Il salario mediano lordo standardizzato del comparto nel 2016 è di 3.331 franchi mensili", a value "molto inferiore a quello del settore secondario ticinese"; 1,493 *frontalieri* in 2017, about two-thirds of the employees). ↩
4. Federal Customs Act of 18 March 2005 (Customs Act, CustA), SR 631.0, Arts 50 to 57 (customs warehousing procedure, open customs

warehouses) and Arts 62 to 67 (free zones), article titles verified through the consolidated text at <https://www.lexaris.de/library/tableofcontents/224392>. ↩

5. Maggi and Mini (May 2013, above). ↩

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