

# Switzerland in Europe – a first rank partner

November 2016



## Common goals and values:

- **Switzerland is a reliable partner in Europe.** As an active member of the Council of Europe, OSCE and OECD, Switzerland contributes to the promotion of democracy, the rule of law, human rights, stability and welfare in Europe and worldwide.
- **Through its development cooperation policy,** Switzerland maintains long-standing cooperation programs with the Eastern European and Balkan countries outside of the EU. Moreover, Switzerland supports numerous projects in the 13 Member States that joined the Union since 2004 with an autonomous contribution of over 1 billion EUR. With this contribution, Switzerland is committed to reducing the economic and social disparities in the enlarged European Union.
- In the face of the **current migration and refugee crisis,** Switzerland shows solidarity with its European partners. Beyond its obligations as a Schengen and Dublin associated state, it participates on a voluntary basis in the relocation and resettlement programmes of the EU as well as in the European Asylum Support Office (EASO).
- **In the area of peace promotion,** Switzerland participates with civil and military personnel in the EU missions EULEX Kosovo, EUFOR Althea in Bosnia-Herzegovina as well as in KFOR in Kosovo in the framework of the NATO Partnership for Peace. It is also active in the areas of mediation and mutual interest representation (e.g. between Armenia and Turkey and between Georgia and Russia).

## Close and intensive relations:

- **Switzerland is among the top economic partners of the EU<sup>1</sup>:**
  - **Concerning trade in goods, Switzerland is the EU's third partner - behind the USA and China** (around 7% of total EU trade is made with the Swiss market in 2015). The total trade value amounts to almost 1 billion EUR per working day. Trade with Switzerland is profitable for the EU, with an annual trade surplus of approx. 49 billion EUR in 2015.
  - **Concerning trade in services, Switzerland is the second partner of the EU behind the USA** (in 2015, 11% of the EU's imports came from Switzerland and the Swiss market absorbed 14% of the EU services' exports). In 2015, the total value of trade in services amounted to 730 million EUR per working day and the services balance has benefited the EU with about 48 billion EUR surplus.
  - **Switzerland is the second foreign investor in the EU** with direct investment stocks of almost 510 billion EUR in 2014, holding more than 10% of the overall extra-EU investment stocks in the EU. At the same time, Switzerland is the second destination of EU foreign investment with more than 630 billion EUR.
- More than **300 000 EU commuters** come to work in Switzerland every day (2015).
- **Over 1,3 million EU citizens live in Switzerland,** whose total population stands at 8,3 million. Around 430 000 Swiss citizens live and work within the EU.
- **With the construction of the AlpTransit worth around 20 billion EUR,** also known as the transalpine railway network (NEAT), Switzerland is building additional capacities for the smooth trade within the Union's internal market, including the world's longest railway tunnel, the Gotthard Base Tunnel.
- Thanks to **numerous bilateral agreements,** Switzerland and the EU sustain very close relations. With no other third country has the Union concluded as many agreements (more than 120) covering a wide range of fields. Examples: **Internal market** (free trade agreement, free movement of persons agreement), **internal security and asylum** (Schengen/Dublin), **transport** (overland transport and civil aviation agreements), **cooperation in tax matters** (agreements on automatic exchange of information in tax matters and on the fight against fraud).

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<sup>1</sup> Statistical data from Eurostat.

## Vote of 9 February 2014:

- On 9 February 2014, the Swiss population **adopted the popular initiative “against mass immigration”** which requires that immigration be restricted by means of annual quotas.
- The result of the vote of 9 February must be understood in light of a substantial increase in immigration of EU/EFTA citizens in Switzerland since the Agreement on the Free Movement of Persons (AFMP) between Switzerland and the EU entered into force in 2002: in the last years, the annual net immigration from the EU has exceeded 0.7% of the Swiss population.
- Since early 2015, Switzerland and the EU have been conducting consultations to identify a **solution in the application of the AFMP**, which would allow Switzerland to better manage immigration while at the same time consolidating and further strengthening its bilateral relations with the EU.
- The new constitutional provisions foresee a **3-year time limit** for the implementation and for the adaptation of all international agreements incompatible with these provisions.
- The first chamber of the Swiss Parliament proposed on 21 September an FMP-compatible implementation of the new constitutional provisions. The second chamber will deliberate on the draft law in its winter session (in December 2016). To enter into force, the law has to be adopted by both chambers. At the end of the parliamentary process, a popular vote can be requested.
- It is in both parties' interest to **maintain existing agreements, guarantee legal security and develop the bilateral relations** between Switzerland and the EU.

## The institutional questions:

- For several years, Switzerland and the EU have been working on finding solutions to **open institutional issues** in relation to the bilateral agreements (development, interpretation, surveillance and dispute settlement). Negotiations were launched in May 2014. A future institutional agreement shall ensure the **homogenous application** of EU law incorporated in agreements concerning market access while **respecting the autonomy** as well as the **legal and constitutional order** of each party. This would also guarantee the **future development of the bilateral approach**.

## Intensify the relations in areas of common interest:

- **Electricity:** The main concern for Switzerland and the EU is to secure supply in the deregulated market environment. To this end, network access for cross-border electricity is to be regulated and security standards for electricity networks harmonised. Switzerland would thus be able to ensure its role as Europe's electricity hub and, thanks to the flexible intervention of pumped-storage power plants, it could contribute to the European power supply as a “battery” in the alpine region.
- Pending a solution for the AFMP, an agreement has been reached on a partial participation of Switzerland to the **European programme in the area of research**. In addition, negotiations are ongoing between Switzerland and the EU in various areas of cooperation such as culture, health, transport, education or food security.
- In 2013, agreements on **cooperation between competition authorities** and in the area of **satellite navigation** (Galileo) were signed. In December 2015, Switzerland and the EU have initialled an agreement on the linkage of their trading schemes with respect to CO<sub>2</sub> emission rights (**ETS**).

## Tax issues:

- In October 2014, Switzerland and the EU signed a **joint statement on business taxation**. This put an end to a controversy which has troubled Swiss-EU relations for almost ten years. As foreseen in this understanding, the Swiss government proposed the removal of certain tax regimes. The Swiss parliament adopted a corresponding reform in June 2016. In return, the EU member states confirmed their intention to lift corresponding countermeasures once these regimes are abolished.
- An agreement on the introduction of the global standard for the **automatic exchange of information in tax matters** (AEOI) was signed in May 2015. The agreement will enter into force on 1 January 2017 and data will be exchanged from 2018. It will replace the current agreement on taxation of savings.