



## Common goals and values

- **Switzerland is a reliable European partner.** As a **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 in the world.
- Switzerland maintains a long-standing **development cooperation** with the Eastern European and Balkan countries outside of the EU (2.5 billion CHF for western Balkan countries since 1995). Moreover, Switzerland has carried out numerous projects with an autonomous **contribution of 1.3 billion EUR** in the 13 member states that joined the EU since 2004. A second contribution of equal amount to selected EU member states has been submitted to parliament for approval. Swiss expertise shall be put to use to reduce economic and social disparities and to contribute to a better management of migration flows.
- Switzerland's **solidarity with its European partners** in facing **challenges associated with migration** extends well beyond its obligations as a Schengen and Dublin associated state, e.g. through its former participation (on a voluntary basis) in the relocation and resettlement programmes of the EU as well as its continuous commitment to the European Asylum Support Office (EASO). In the context of the Dublin reform Switzerland supports a fair burden sharing mechanism between member states. In addition, Switzerland contributes voluntarily with 5 million CHF to the EU Emergency Trust Fund for Africa.
- Switzerland contributes to the **promotion of peace, stability and security in Europe** with ca. 30 civilian experts and military troops in EU missions in the Western Balkans (EULEX Kosovo and EUFOR Althea) and the Sahel region (EUCAP Mali) and its contributions to NATO-led KFOR and the OSCE observer mission SMM Ukraine. It also renders good offices to parties in conflict by mediating (e.g. Armenia/Turkey, dialogue Belgrade-Pristina), hosting negotiations (e.g. JCPOA), and representing the interests of states with broken diplomatic relations (e.g. Georgia/Russia).
- Switzerland closely coordinates its foreign policy with the EU. It supports the EU sanction policy and coordinates its human rights policy with the EU at the bilateral and multilateral level.

## Close and intensive relations

- **Switzerland is among the top economic partners of the EU<sup>1</sup>:**
  - **Trade in goods: Switzerland is the EU's 3<sup>rd</sup> partner - behind the USA and China** (~7% of total EU trade). The total trade value amounts to >1 billion EUR per working day. Trade with Switzerland is profitable for the EU, with an annual trade surplus of ~40 billion EUR.
  - **Trade in services: Switzerland is the 2<sup>nd</sup> partner of the EU behind the USA** (10% of the EU's imports and 14% of the EU's exports), amounting to a total value of trade in services of 795 million EUR per working day and an EU balance surplus of about 59 billion EUR.
  - **Foreign Investment: Switzerland is the 2<sup>nd</sup> foreign investor in the EU** with direct investment stocks of almost 802 billion EUR (>12% of overall extra-EU investment stocks) which contribute to the creation of approx. 840 000 work places. In return, Switzerland is the 2<sup>nd</sup> destination of EU foreign investment (> 979 billion EUR).
- Close to **1,4 million EU citizens reside in Switzerland**. This corresponds to 16% of its total population of approx. 8,5 million inhabitants. One in ten EU citizens, who emigrates thanks to the free movement of persons, works and lives in Switzerland. In addition, every day, around **315 000 EU residents commute to Switzerland** for work and every year approx. **120 000 EU workers are posted to Switzerland**, as well as approx. **41 000 independent service providers**. Close to **452 000 Swiss citizens reside and work within the EU**.
- With the construction of the **AlpTransit worth around 23 billion EUR** (aka the transalpine railway network "NEAT") Switzerland is extending capacities for the smooth trade within the EU's internal market, including the world's longest railway tunnel: the Gotthard Base Tunnel.

<sup>1</sup> Statistical data from Eurostat, numbers apply to 2017.

- Switzerland closely cooperates with the EU **in the area of science and research**. With its contribution, Switzerland supports 3.5% of the total EU Research and Innovation programme Horizon 2020 and it participates to 2.4% of all projects funded through the programme. In addition, 45% of the academic personnel in Switzerland are EU citizens.
- **Numerous bilateral agreements** add to these very close relations. The EU has concluded more agreements with Switzerland than with any other third country (>120) covering a wide range of policy fields, including but not limited to: **internal market** (free trade, free movement of persons), **internal security and asylum** (Schengen/Dublin), **transport** (overland transport and civil aviation), **cooperation in tax matters** (cf. below), **research, environment, statistics etc.**
- In the framework of its association to Schengen and Dublin Switzerland **contributes with 114 million CHF to the EU Internal Security Fund 2014-2020**.

## Institutional Issues

- For several years, Switzerland and the EU have been working towards solutions to the remaining **institutional issues** in the area of market access (legal developments, interpretation, supervision and dispute settlement). An institutional framework agreement (IFA) would allow for the **consolidation and development of reciprocal market access**. EU law incorporated in bilateral agreements on market access could be applied in full respect of each party's **autonomy** and its respective **legal order**. This would also guarantee the **further development of the bilateral approach**.
- On 7 December 2018, the Federal Council **took note of the outcome of the negotiations on the draft institutional agreement** (IFA) and launched consultations on the draft agreement with the relevant Swiss stakeholders. On 7 June 2019, based on the results of the consultations, the Federal Council reiterated its general positive assessment of the IFA and gave a positive signal in view of the conclusion of the IFA. In parallel, the Federal Council **asked for clarifications with the EU in three areas**:
  - Need to clarify that the provisions on **state subsidies** in the draft institutional agreement have no 'horizontal effect', in particular on the Free Trade Agreement of 1972 prior to any possible modernization.
  - Need to **provide legal certainty** for the current level of wage protection in Switzerland.
  - In addition, the Federal Council emphasizes that the provisions of the IFA do not create any obligation for Switzerland to adopt the **Citizens Rights Directive (CRD)**. A (partial) adoption of the CRD would have to be the subject of negotiations between the parties.
- The Federal Council believes that once mutually satisfactory solutions to these three remaining open points are found, there will be enough domestic support to sign the Agreement.

## Further development and strengthening relations in areas of common interest

- An institutional agreement is not a goal in itself but a mean to achieve the **efficient implementation of the five market access agreements**. Parallel to this, the Swiss government is determined to reach agreement on further market access and cooperation dossiers, in particular the agreement on **access to the internal electricity market**. The main concern for Switzerland and the EU is to secure the supply in a deregulated market environment. Network access for cross-border electricity must be regulated and security standards for power grids harmonised. Switzerland would thus remain **Europe's electricity hub** and, thanks to the storage capacity of its hydroelectric power plants, it could contribute to the load balancing of European power supply as a "battery" in the alpine region.
- In addition, Switzerland and the EU have ongoing negotiations on **cooperation in various fields** such as culture, health, land transport or food safety.
- In 2013, Switzerland and the EU concluded agreements on the cooperation between **competition authorities** and on collaboration in the field of **satellite navigation** (Galileo). In November 2017, they signed an agreement on linking their CO<sup>2</sup> emissions trading systems (**ETS**).

## Tax matters

- In October 2014, Switzerland and the EU signed a **joint statement on corporate taxation** and agreed that Switzerland would **abolish several tax regimes** that the EU considers as distortive to competition. The EU on the other hand was willing to waive counter-measures. On 19 Mai 2019, the

**Swiss voters approved the relevant reform proposal** (Federal Act on Tax Reform and AHV Financing) to remove certain tax regulations and introduce measures that are compliant with EU and OECD standards on corporate taxation. The EU removed Switzerland from the so-called grey list on 10 October 2019.

- An agreement on the introduction of the global standard for the **automatic exchange of information in tax matters (AEOI)** was signed in May 2015, replacing the agreement on taxation of savings. The agreement entered into force on 1 January 2017 and data exchange has been running since 2018.