



SWITZERLAND AND EUROPE

4

4.1	Trade and Direct Investments.....	49
4.2	Political and Economic Cooperation.....	49
4.3	The Euro.....	51

Image
European Union delegation for Switzerland
and the Principality of Liechtenstein, Bern

Culturally and geographically, Switzerland is situated in the heart of Europe. Although it is not a member of the European Union, it shares close economic and political ties with its European neighbors. Various bilateral agreements and a dynamic European policy form the basis for deep-rooted political partnerships and a substantial amount of economic integration, which benefit both the Swiss economy and the financial center, as well as the EU.

4.1 TRADE AND DIRECT INVESTMENTS

Switzerland and Europe share close economic ties. As the destination for 47% of Swiss exports and with a share of 61% of Swiss imports (as per 2021), the EU is by far Switzerland's most important trading partner. Together with the USA, China, and the United Kingdom, Switzerland is among the EU's most important trading partners. The EU is also the most important trading partner for foreign direct investments. At the end of 2020, Swiss direct investments in the EU totaled 665 billion Swiss francs. That represents a share of almost 45% of all direct Swiss investments abroad.

With the exception of agricultural and food products, there are no restrictions on trade between Switzerland and EU member states. Goods with a certificate of origin from one of the member states of the EU and EFTA (Switzerland belongs to the latter, along with Iceland, Liechtenstein, and Norway) can circulate freely without quotas or customs barriers.

4.2 POLITICAL AND ECONOMIC COOPERATION

For numerous Swiss companies, including branches of foreign firms, the European market is very important. Various agreements to liberalize the market create almost equal access to the European single market. These agreements make it easier for companies from Switzerland to tap into a market of around 450 million consumers. With the extension of these agreements to the new EU member states, Switzerland also has access to the growth markets of eastern Europe.

The bilateral agreements between Switzerland and the EU have been broadly expanded. Various barriers to market access were eliminated by the Free Trade Agreement of 1972 and the Bilateral Agreements I of 1999. Bilateral I includes agreements covering technical barriers to trade, public procurement, the free movement of persons, agriculture, research, and overland and air transport. Bilateral II, the second round of more extensive agreements of 2004, brought additional economic advantages as well as cross-border cooperation in other political areas. The following sections explain the most important agreements and their significance.

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Swiss Directorate for European Affairs

4.2.1 Free Movement of Persons

With the Swiss-EU Freedom of Movement Agreement (FZA), the basic rules for the free movement of persons were gradually introduced in Switzerland vis-à-vis the EU. The AFMP allows Swiss nationals to live, work and study in any EU member state; the same applies to EU citizens in relation to Switzerland. The prerequisite is that they have a valid employment contract with an employer in Switzerland, are self-employed, or – in the case of non-employed persons – can prove they have sufficient financial means and comprehensive health insurance.

The agreement also liberalizes the cross-border rendering of services by individuals for up to 90 days per calendar year. Service providers can therefore render their services in a guest country for a maximum of 90 working days. This free movement of persons is reinforced by mutual recognition of vocational qualifications and coordination of the national social insurance systems. For several years, local companies have not been able to find enough workers in Switzerland. As a supplement to the domestic labor force, the Swiss economy is able to recruit in the EU/EFTA region as necessary thanks to the FZA. The free movement of persons also works in the other direction, of course: Swiss nationals can work and take up residence freely in the EU as well. At the moment around 450'000 Swiss people, around 57% of all Swiss abroad, live in the EU.

Since January 1, 2022, the full free movement of persons has also applied to Croatian nationals. Should the immigration of Croatian workers exceed a certain threshold, Switzerland can invoke a safeguard clause and limit the number of permits again from January 1, 2023, and until the end of 2026 at the latest.

United Kingdom

Following Brexit, the AFMP between Switzerland and the United Kingdom will no longer apply from January 1, 2021. Both countries have therefore concluded an agreement on the acquired rights of citizens. Based on this agreement, those Swiss and UK nationals will retain their right of residence (and other rights) which they acquired on the basis of the AFMP until December 31, 2020. UK nationals who migrate to Switzerland after December 31, 2020, cannot invoke the agreement on acquired rights. Newly arriving UK nationals who wish to work in Switzerland will, in principle, be treated the same way as third-country nationals under immigration law from January 1, 2021. In order to take up gainful employment in Switzerland, a permit must be applied for in advance.

In addition to this, a temporary agreement between Switzerland and the United Kingdom on the mobility of service providers has been in place since January 1, 2021. The agreement ensures mutual, simplified access for service providers. Based on this agreement, the online declaration procedure for short-term employment applies to cross-border service providers from the United Kingdom for up to 90 working days per calendar year.

For more information about residence and employment for EU/EFTA citizens, see section 6.4.2

4.2.2 Schengen Agreement

The Schengen cooperation has made travel easier by abolishing identity checks at the borders between Schengen countries (internal borders). At the same time a range of measures has improved international cooperation between courts and the police in the fight against crime. This cooperation includes security measures such as strengthened controls on external Schengen borders, increased cross-border police cooperation (for example through the European search system SIS), and more efficient cooperation between judicial authorities. The Schengen visa is also valid for Switzerland. Tourists from India, China, Russia, or other countries that require a visa no longer need an additional Swiss visa for a short visit to Switzerland during their travel through Europe, which increases Switzerland's attractiveness as a vacation destination.

4.2.3 Elimination of Technical Barriers to Trade

For most industrial products, conformity evaluations – such as tests, certificates, and product approvals – are mutually recognized. Re-certification upon export to the EU is no longer necessary because product inspections by Swiss testing institutes recognized by the EU are sufficient. This also eliminates double inspections according to Swiss and EU requirements. In areas where EU and Swiss regulations differ and two conformity certificates are still required, both can be issued by the Swiss testing institute. This process simplifies administrative procedures, reduces costs, and strengthens the competitive position of the export industry.

4.2.4 Research

Cooperation between Switzerland and the EU in the area of research and innovation has a long tradition. Researchers in Switzerland have been participating in the EU's research framework programs since 1988. Switzerland is considered a non-associated third country in the ninth generation of the Horizon Europe program (2021-2027). Funding for Swiss project participation is provided by the State Secretariat for Education, Research, and Innovation (SERI) as part of the transitional measures and is secured for positively evaluated projects. SERI provides regular updates on the status of Switzerland's participation in the EU Framework Programmes for Research and Innovation. Switzerland's full association with Horizon Europe remains the Federal Council's declared goal.

4.2.5 Rail, Road, and Air Transport

The Overland Transport Agreement regulates the mutual opening up of the market for the transport of persons and goods by road and rail, together with fee systems based on the cost-by-cause principle. Network access in the EU is increasing the competitiveness of the railways and opening up new market opportunities for Swiss transport companies. Swiss airlines have access to the liberalized European air transport market, on the basis of reciprocity, putting them on a more or less equal footing with their European counterparts. Duty-free sales at Swiss airports or on flights to and from Switzerland are still available.

4.2.6 Public Procurement in Switzerland

In accordance with the multilateral agreement on public procurement (GPA) of the World Trade Organization (WTO), certain clients must make an international request for a proposal for the procurement of goods and services and construction projects over a certain amount (termed the threshold value) in order to promote transparency and competition within public procurement. On the basis of the GPA, the scope of application of the WTO rules has been extended. This now comprises procurement by districts and communities; procurement by public and private clients in the rail transport, gas, and heat supply sectors; and procurement by private companies that operate on the basis of a special or exclusive right granted by an authority in the sectors of drinking water and power supply, municipal transportation, airports, or river and maritime shipping.

The agreement provides for the option of removing procurement or contracting in certain sectors, in which there is verifiable competition, from the scope of application. Accordingly, the telecommunication sector was removed in 2002.

The rules for contracting are based on three principles:

- Equal treatment of all providers (non-discrimination)
- Transparency of the process
- Right of recourse against decisions within the scope of the tender and awarding process (above certain threshold values)

In accordance with WTO regulations, the public sector and affected companies are obliged to issue and carry out tenders for procurement and orders that exceed a certain threshold level. In principle the most economical or best-value offer must be chosen, as long as the offered goods or services are of comparable quality. However, the selection may also be based on the lead times, quality of service, or environmental friendliness. The client can also define requirements for the observance of regional or sector-wide wage and working conditions. Public tenders by the federal government and cantons are posted on an electronic information system. With regard to the considerable public expenditure in the EU and Switzerland, this further opening of the procurement market creates opportunities for the export industry (e.g. mechanical engineering) and the services sector (e.g. engineering and architecture firms). Furthermore, the increased competition among providers leads to reduced prices and thus considerable savings for the public bodies that issue the contracts.

www.europa.admin.ch > Bilateral agreements > Agreements and implementation > Texts of the agreements > Public procurement markets
Public procurement in Switzerland

www.simap.ch
Information-sharing platform for public contract awarding bodies and providers

4.2.7 Trade in Agricultural Products

The agreement on processed agricultural products governs trade in products from the foodstuffs industry (e.g. chocolate, cookies, and pasta). The EU does not impose import or export duties on trade with Switzerland. In response, Switzerland has reduced its import and export duties accordingly. There is free trade of sugar and of products which do not contain any raw materials besides sugar that are relevant to agricultural policy. The simplification of technical regulations is beneficial to consumers and increases opportunities for exporting quality agricultural products. A com-

prehensive agreement on the agricultural and foodstuffs sector, intended to fully open the markets for agricultural products and foodstuffs for both sides, is still being negotiated. The agreement would lift both tariff barriers to trade (e.g. duties and quotas) as well as non-tariff barriers (e.g. various product regulations and import requirements). This opening-up of the market will confront the agriculture sector with considerable challenges. To ensure that new market opportunities are seized and the affected sectors can be supported in the new market situation, free trade should be introduced gradually and supported by accompanying measures.

4.2.8 Taxation of Savings Income

In 2004, Switzerland and the EU concluded an agreement on the taxation of savings income to combat cross-border tax evasion as part of the Bilateral Agreements II. This was replaced by the agreement on the automatic exchange of information (AEOI) in tax matters between Switzerland and the EU, which was signed on May 27, 2015. The new agreement implements the OECD's global AEOI standard and covers all types of investment income as well as trusts and foundations in addition to interest income. Within this framework, Switzerland and all EU member states have been collecting account data since 2017 and exchanging it since 2018.

By implementing the AEOI standard, Switzerland and the EU are making an important contribution to preventing tax evasion.

www.efd.admin.ch > Topics > Taxes > International taxation > Taxation of savings agreement with the EU
Current information on taxation of savings income

4.3 THE EURO

Even though the official currency of Switzerland is the Swiss franc, the euro is an accepted form of payment at practically all hotels and in many businesses. Swiss banks offer euro accounts, and cash withdrawals in euros are possible at most ATMs. The globalized Swiss financial center is set up to conduct all bank transactions in euros. Due to its location in the heart of the European Monetary Union and the fact that the EU is its largest trading partner, the euro is extremely important for Switzerland. This is particularly the case in the tourism sector and for companies active in the import/export business.