



# SWITZERLAND AND EUROPE

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

Culturally and geographically, Switzerland lies at 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 a deep-rooted political partnership 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 54% of Swiss exports and with a share of 72% of Swiss imports (as per 2015), the EU is by far Switzerland's most important trading partner. For its part, Switzerland was the EU's third-largest customer in 2015 (8.4% of all exports) after the USA and China, and the fourth largest supplier of goods (5.9% of all imports). At the end of 2014, Swiss direct investments in the EU totaled CHF 461 billion. That represents a share of 44% of all Swiss direct investments abroad.

With the exception of agricultural and food products, there are no restrictions on trade between Switzerland and the members of the EU. Goods with a certificate of origin from one of the 32 member states of the EU and EFTA (Switzerland belongs to the latter, along with Iceland, Liechtenstein, and Norway) can circulate freely without quotas and customs barriers.

[www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)  
Eurostat (European statistics office)  
Languages: German, English, French

#### 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 almost 500 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.

[www.europa.admin.ch](http://www.europa.admin.ch)  
Swiss Directorate for European Affairs  
Languages: German, English, French, Italian

#### 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, as they are applied in the EU, were gradually introduced in Switzerland vis-a-vis the EU. These same rules will be applied to new EU member states within a period of 9 to 12 years. Citizens of Switzerland and the EU states have the right to choose their place of work and residence within the territory of the contractual partners. The prerequisite is that they have a valid employment contract, are self-employed or - if they do not work - can provide evidence that they have adequate financial resources and have comprehensive medical insurance. The agreement also liberalizes the cross-border performance of services by individuals for up to 90 days per calendar year. Service providers can therefore perform their service in a guest country for a maximum of 90 working days. This free movement of persons is reinforced by the mutual recognition of vocational qualifications and the coordination of the national social insurance systems. The agreement makes it easier for Swiss businesses to recruit employees in the EU region, in areas where the Swiss economy is lacking, and take advantage of education and training opportunities there. This boosts the efficiency of the labor market and promotes the availability of highly qualified employees. 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 460,000 Swiss people, around 60% of all Swiss abroad, live in the EU.

The agreement specifies transition periods. During these periods the immigration restrictions, such as priority for Swiss nationals and advance examinations of the wage and employment conditions, can be maintained and the number of residence permits can be limited (through quotas). After the expiry of the quota regulation the agreement also allows, based on a safeguard clause, the number of residence permits to be limited again for a period of time, if there is an undesirably large, above-average level of immigration. The transition regulations guarantee a gradual and controlled opening of the labor markets, while in addition the accompanying measures to counter wage and social dumping also apply.

- Since June 1, 2007, citizens of both the "old" EU states incl. Cyprus and Malta (the EU-17) and the EFTA states have benefited from free movement of persons. Since May 1, 2011, EU-8 citizens have also benefited from full freedom of movement as have citizens of Bulgaria and Romania since June 1, 2016.
- For Croatia, which joined the EU in 2013, special quotas apply, which are independent of third-country quotas. Switzerland and the EU agree, however, that an amicable solution should be sought for a common interpretation of the existing safeguard clause.

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

[www.swissemigration.ch](http://www.swissemigration.ch) > Emigrating > Working abroad > Mobility in Europe  
Employment mobility in Europe  
Languages: German, English, French, Italian

#### Information about the Mass Immigration Initiative

On February 9, 2014, the Swiss electorate accepted the popular initiative "Against mass immigration," opposing the free movement of persons between Switzerland and the EU/EFTA and supporting a change in Swiss migration policy. The new constitutional text obliges the Federal Council and parliament to introduce a new permit system for all foreign nationals within three years that limits the number of migrants by means of maximum levels and quotas.

The Federal Council immediately began working to implement the new constitutional provisions relating to migration. On June 20, 2014, the concept for the implementation of the new migration policy was presented. On March 4, 2016, the Federal Council passed several legislative proposals for parliament on the implementation of the new constitutional provisions on migration.

Until the corresponding legislation comes into force, the free movement of persons will continue to apply between EU and EFTA member states and Switzerland. Nationals of third countries are not affected by the popular initiative and remain subject to the same regulations as before.

[www.sem.admin.ch](http://www.sem.admin.ch) > Entry & Residence > Free movement of persons Switzerland – EU/EFTA and [www.ejpd.admin.ch](http://www.ejpd.admin.ch) > Topics > Migration management > Implementation of new constitutional provisions on migration  
Up-to-date information about free movement of persons

#### 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 the Schengen external 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. Accordingly, double inspection according to Swiss and EU requirements is eliminated. 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

Since 2004, bilateral agreements have enabled Swiss research institutes, universities, companies, and individuals to participate in the EU's framework research programs on an equal footing with EU research institutions.

A similar agreement is to be negotiated with the EU for the eighth such program, Horizon 2020. Negotiations have been suspended for the time being due to the acceptance of the mass immigration initiative on February 9, 2014. At present, Switzerland therefore has third-country status in Horizon 2020. The Federal Council seeks Switzerland's full association with Horizon 2020 starting in 2017. However, with some exceptions, researchers in Switzerland can still participate in the funding instruments of the framework program and submit project proposals.

[www.euresearch.ch](http://www.euresearch.ch) > Swiss Participation in Horizon 2020  
Up-to-date information on Switzerland's status in Horizon 2020  
Languages: English

This does not jeopardize support for research in Switzerland. The Temporary Backup Schemes of the Swiss National Science Foundation (SNF) provide researchers with a temporary substitute for the funding instruments of the European Research Council (ERC). The Federal Council aims to ensure that Swiss researchers can once again participate in EU framework research programs.

#### 4.2.5 Rail, Road, and Air Transport

The land transport agreement between Switzerland and the EU has regulated the mutual opening of passenger and freight transport by road and rail. 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 accordance with the GPA, the multilateral agreement on public procurement between the 45 current member states 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).

The public sector and affected companies are obliged to issue and carry out tenders for procurement and orders, which exceed a certain threshold level, in accordance with WTO regulations. In principle the most economical or best-value offer must be selected, as long as the offered goods or services are of a comparable quality level. The selection criteria can, however, also be the lead times, the quality of service or environment-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 companies). Furthermore, the increased competition among providers leads to reduced prices and thus considerable savings for the public bodies placing the contracts.

[www.europa.admin.ch](http://www.europa.admin.ch) > Topics > Bilateral agreements > Public procurement markets  
Public procurement in Switzerland  
Languages: German, English, French, Italian

[www.simap.ch](http://www.simap.ch)  
Information-sharing platform for public contract awarding bodies and providers  
Languages: German, English, French, Italian

#### 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, which are relevant to agricultural policy. The simplification of technical regulations is beneficial to consumers and increases opportunities for exporting quality agricultural products. A comprehensive 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 (such as duties and quotas) as well as non-tariff barriers (such as various product regulations and import requirements). This opening-up of the market will confront the agriculture sector with considerable challenges. To ensure that the 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

Switzerland supports the EU system of taxing cross-border interest payments to individuals under the Savings Tax Agreement. Swiss banks operate a system of tax retention (similar to Swiss withholding tax) which is deducted at a rate of 35% on interest income earned in Switzerland by persons subject to EU taxation. This system of tax retention ensures that the EU interest taxation system cannot be evaded by switching to Switzerland, while at the same time ensuring that Swiss laws and banking secrecy are upheld. Related companies with their principal base in Switzerland, as well as subsidiaries in EU member states, no longer pay withholding tax on payments of dividends, interest, and license fees. This increases Switzerland's appeal as a business location.

In May 2015, Switzerland and the EU signed an agreement on the automatic exchange of information on tax matters. The new global standard will supersede the Savings Tax Agreement as of 2017/2018.

[www.efd.admin.ch](http://www.efd.admin.ch) > Topics > Taxes > Taxation of savings agreement

Up-to-date information about the taxation of savings income  
Languages: German, English, French, Italian

### 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. Even public telephones accept 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.