

EU-Switzerland relations

A new approach

OVERVIEW

The EU and Switzerland are important trading partners and close-minded partners in foreign affairs. They also have very strong ties through a range of bilateral agreements and Switzerland has been associated with several EU policies relating to the internal market, the Schengen agreement, the Dublin system for dealing with asylum claims and the EU's research and mobility programmes.

Between 2014 and 2021, the EU and Switzerland negotiated an institutional framework agreement, which would have further developed Switzerland's participation in the EU internal market. However, Switzerland terminated the talks. The failure of the talks led the EU to block an update to the mutual recognition agreement on conformity assessment of technical standards and exclude Switzerland from Horizon Europe, the EU's flagship research programme.

In February 2022, the Swiss Federal Council presented an alternative way forward consisting of a broad package of measures relating to the bilateral relationship between the EU and Switzerland, including a new approach regarding the institutional elements. Following exploratory talks, the two parties agreed on a common understanding as a new basis for their negotiations, which are ongoing.



EU-Switzerland relations

Committee responsible: Foreign Affairs (AFET)
Rapporteur: Lukas Mandl (EPP, Austria)
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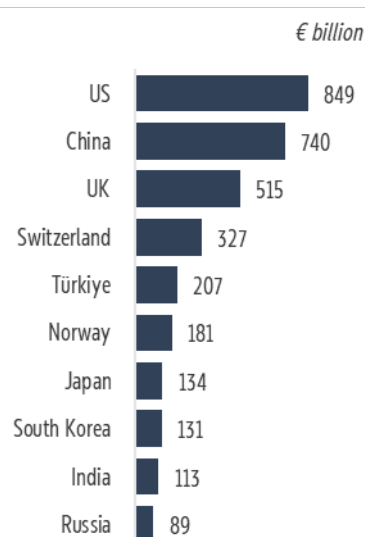


Introduction

The EU and Switzerland [share](#) history, languages, culture, and political values. On the world stage, the EU and Switzerland are like-minded actors, supporting each other in a number of areas, including mitigation of the impact of climate change, promotion of human rights and the fight against poverty. They are also like-minded partners in foreign affairs: in the wake of Russia's invasion of Ukraine, Switzerland adopted sanctions against Russia in parallel to those of the EU. In addition, they are important trading partners: the EU is Switzerland's largest trading partner, while Switzerland is the EU's fourth largest trading partner (after China, the US and the UK), with mutual exchanges in goods and services amounting to about €1 billion every working day.

Moreover, through a range of bilateral agreements, the EU has closer ties with Switzerland than with any other country except those of the European Economic Area (Norway, Iceland and Liechtenstein).¹ Switzerland is associated with several EU policies relating to the internal market, the Schengen agreement, and the Dublin system for dealing with asylum claims.

Figure 1 – EU main trade partners, 2023

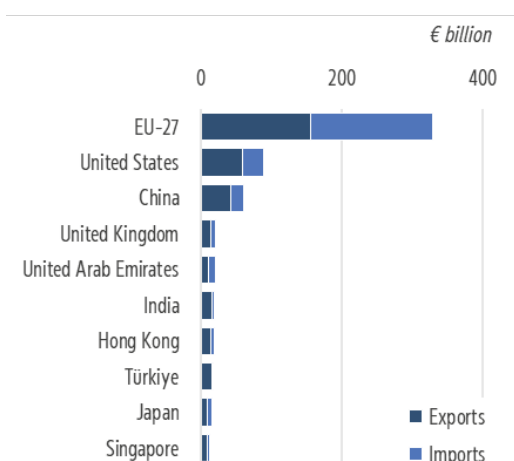


Source: [Eurostat](#).

Existing situation

The cornerstone of EU-Switzerland trade relations is the [Free Trade Agreement of 1972](#).

Figure 2 – Switzerland's main trading partners, 2023



Source: [IMF](#).

As a consequence of Switzerland's rejection of membership of the European Economic Area (EEA) in 1992, Switzerland and the EU agreed on a package of seven [sectoral agreements](#), signed in 1999 (and known as 'Bilaterals I'). These are the agreements on (i) free movement of persons, (ii) technical barriers to trade, (iii) public procurement, (iv) agriculture, (v) research, (vi) air transport, and (vii) land transport.

Among other things, the agreements give citizens from the EU and Switzerland the right to live and work in the territory of the contracting parties; ensure mutual recognition in relation to conformity assessment for the majority of industrial products; set out the basis for international competitive bidding for certain public contracts; facilitate trade in agricultural products between Switzerland and the EU; allow for the participation of Swiss universities, companies and individuals in EU

framework programmes for research; provide reciprocal access to aviation markets for Swiss and EU air carriers; and open up the market for the transport of persons and goods by road and rail between Switzerland and the EU.

A further set of [sectoral agreements](#) was signed in 2004 (known as 'Bilaterals II'), covering, inter alia: Switzerland's participation in the Schengen area and Dublin asylum system; taxation of savings; processed agricultural products; education, vocational education and training; statistics; combating fraud; Switzerland's participation in the EU's Media programme; and Switzerland's membership of the European Environment Agency.

By 2014, relations between the EU and Switzerland were based on a highly complex system of more than 120 sector-specific agreements, covering a wide range of EU policies, including Swiss participation in many areas of the EU's internal market. While the agreements deepened economic relations, they also created a complex – and sometimes inconsistent – network of obligations. In general, bilateral agreements have to be updated regularly and do not have the dynamic character of the EEA agreement. In addition, the aforementioned bilaterals lack monitoring arrangements or effective dispute settlement mechanisms.

The [Council Decision](#) of 6 May 2014 authorised the opening of negotiations between the EU and Switzerland on an institutional framework agreement (IFA) to streamline the operation of the five bilateral agreements between the two sides. These were the agreements (i) on the free movement of persons;² (ii) on air transport; (iii) on land transport; (iv) on trade in agricultural products; and (v) the mutual recognition agreement related to conformity assessment. The IFA aimed to restructure EU-Switzerland trade relations, notably by providing crucial rules and procedures for the dynamic takeover and homogenous application of internal market law, for enforcement of State aid rules, and for dispute settlement.

In November 2018, the Commission and Switzerland finalised the draft text of the IFA. However, in May 2021 the Swiss Federal Council rejected the signature of the negotiated proposal. For Switzerland, there were [three challenges](#) that could not be overcome: wage dumping; a feared increase in EU social welfare recipients in Switzerland; and open questions concerning the regulation of State aid.³

In February 2022, the Swiss Federal Council presented an alternative way forward consisting of a broad package of measures relating to the bilateral relationship between the EU and Switzerland, including a new approach regarding the institutional elements. Afterwards, the EU and Switzerland [engaged](#) in exploratory discussions on the future of their bilateral relations.

Following 18 months of exploratory talks, the parties agreed on a 'Common Understanding' as a new basis for their negotiations (see below). Moreover, they decided to take a *package approach* in their negotiations, which will incorporate institutional elements into each single market agreement, rather than addressing these elements as a whole.

EU negotiating objectives

The new [negotiating guidelines](#) were published on 20 December 2023 as an annex to the recommendation for a Council Decision.

The directives note that the negotiation should result in agreed **institutional provisions** that will be included in all existing and future EU-Switzerland agreements related to the internal market (subject to technically justified adaptations, if necessary), to ensure homogeneity and legal certainty in the internal market. They should reflect obligations to interpret and apply homogeneously the Union *acquis*, and to ensure dynamic adaptation to the evolving *acquis* of the agreements with Switzerland that relate to the internal market.

The negotiations should also lead to the creation of an independent arbitral tribunal to settle disputes; this tribunal should refer to the Court of Justice of the European Union (CJEU) in cases where the application of the agreements involves concepts relating to EU law.⁴ The provisions should also include the procedure to be followed if one of the parties considers that the other party has not complied with the arbitral tribunal's decision.

Regarding the **application** of the institutional provisions, the existing agreements with Switzerland related to the internal market should be modified, to include identical institutional provisions established in the negotiation. Similarly, the institutional provisions should also apply to any future agreements with Switzerland related to the internal market.

To ensure a level playing field for competition on the internal market, **State aid rules** applicable to the EU Member States and Switzerland should be included at least in certain agreements. The review of any State aid should be based on rules equivalent to the ones applied within the EU.

The negotiation should cover an EU-Switzerland agreement on **Switzerland's** regular, mutually agreed, [financial contribution to the Union's cohesion](#). It should also cover a standalone **agreement** on the general terms and conditions of **Switzerland's participation in Union programmes**; the protocols on participation in specific programmes⁵ should include terms and conditions for Switzerland's participation in these programmes.

Specific, limited adaptations to the existing Union *acquis* in the area of **free movement of persons** may need to be agreed.⁶ At the same time, such adaptations should not result in the reduction of rights currently enjoyed by EU citizens under the agreement on the free movement of persons, and should ensure non-discrimination in the acquisition of long-term residence by EU citizens. Similar adaptations⁷ may need to be agreed for the **posting of workers**, to take account of the specificities of the Swiss labour market, and for the carriage of goods and passengers by rail and road. However, these should not alter the scope of the agreement, which includes international passenger transport, with the exception of Switzerland's purely domestic transport (i.e. national long-distance, regional and local transport).

Counterpart's position

As mentioned above, the Federal Council approved the negotiating mandate with the EU in its definitive form at its meeting on 8 March 2024. The Federal Council [adopted](#) the following recommendations:

- With regard to **Switzerland's participation in the EU single market**, should Switzerland decide not to adopt a specific change in EU law, compensation measures would only be possible following a decision by the arbitration panel, including on the question of proportionality.
- With regard to the opening up of **electricity** markets, consumers should have 'the option of remaining in the regulated basic supply (public service), envisioned as the "standard" option with regulated prices'. Existing **State aid** should remain in place, particularly in renewable electricity production.
- In parallel to the controlled opening up of **international rail passenger transport**, Switzerland will seek to maintain the cooperation model and its prerogative to allocate slots on its own territory. Moreover, the controlled opening up of international rail transport must not affect the quality of public transport in Switzerland.
- Regarding **agricultural products**, the mandate specifies that customs tariffs are to remain in place, including tariff quotas and their method of administration.
- The objective of **immigration** geared towards the labour market will be strengthened, as will the wording concerning the right of residence, with the aim of better protecting the Swiss social system.
- The objective of ensuring **wage and working conditions** by maintaining the current level of protection sustainably will be reaffirmed. The exception relating to guarantees will be clarified and a solution will be sought regarding expense allowances.

Parliament's position

On 24 January 2023, the AFET committee, in association with the D-EEA,⁸ held an exchange of views with Maroš Šefčovič, Vice-President of the European Commission for Interinstitutional Relations and

Foresight, on EU relations with a number of countries, including Switzerland. On 20 March 2024, the AFET committee held an exchange of views on EU-Switzerland relations.

In its resolution of 4 October 2023 on EU-Switzerland relations ([2023/2042\(INI\)](#)), the European Parliament regretted the Swiss Federal Council's decision to terminate the negotiations on the EU-Swiss institutional framework agreement in May 2021. It stressed that 'it is in the fundamental interest of both sides to maintain and strengthen good, stable and mutually beneficial relations within the framework of a modernised relationship based on a package agreement that creates stability, trust, welfare, a level playing field, jobs, growth and a commitment to social security and justice'. It welcomed the political statement following the conference of cantons of 24 March 2023 advocating treaty-based relations with the EU based on shared values, reaffirming their position to continue and deepen the bilateral agreements, and their willingness to support the Federal Council in negotiations. In that context, it welcomed the Federal Council's approach on a broad negotiation package and called on it to adopt a negotiating mandate on key structural issues as a political signal to the EU.

Advisory committees

In its [opinion](#) of 30 November 2023 on 'Boosting lasting and effective cross-border cooperation with our neighbours', the European Committee of the Regions pointed out that the bilateral relationship between Switzerland and the EU had not been clarified since the collapse of the framework agreement between the two parties, creating obstacles to cross-border cooperation. In this context, it called on the Commission to keep striving to conclude a new agreement so that the relationship could be clarified as soon as possible.

Preparation of the agreement

On 15 December 2023, the Commission and Switzerland's Federal Council published the [Common Understanding](#). The Common Understanding outlined a package of measures that served as a basis for the Commission's work on a recommendation for a Council Decision authorising the opening of the negotiations with Switzerland. The Common Understanding:

- includes institutional elements to be inserted in existing and future bilateral agreements that would enable Switzerland's participation in the internal market;
- identifies ways to protect the rights of EU citizens and workers, including by ensuring non-discrimination between citizens of different Member States;
- contains an agreement that would form the basis for Switzerland's regular financial contribution to social and economic cohesion in the EU and an agreement that would provide for the association of Switzerland to Union programmes, including Horizon Europe;
- contains provisions for the relaunch of negotiations on agreements on electricity, food safety and health;
- contains practical ways forward for EU-Swiss bilateral relations for the duration of the negotiations.

On the same day, the Swiss Federal Council launched consultations with the Swiss Parliament on its draft negotiating mandate.

On 7 March 2024, the Council adopted a [Decision](#) authorising the Commission to open negotiations, on behalf of the EU, for a broad package of measures related to bilateral relations with the Swiss Confederation. The package comprises:

- institutional provisions in bilateral agreements and specific adaptations to them if necessary (see next point);
- an agreement on Switzerland's participation in EU programmes;

- a legally binding mechanism to provide for mutually agreed and fair financial contributions by Switzerland towards reducing economic and social disparities between regions;
- provisions on Switzerland's financial contribution for its access and use of certain EU information systems.

Based on the mandate provided by the Council, the Commission was [able](#) to engage in formal negotiations with Switzerland on the broad package of measures. The Commission will report on progress in the negotiations to the Council.

Meanwhile, the Swiss Federal Council [approved](#) Switzerland's negotiating mandate on 8 March 2024.

Negotiation process and outcome

On 18 March 2024, Swiss President Viola Amherd and European Commission President Ursula von der Leyen [officially](#) opened negotiations between the parties, in the presence of the chief negotiators from both sides – Richard Szostak (Director for 'Western European Partners' in the Secretariat-General of the European Commission) for the EU, and Patric Franzen (Deputy State Secretary and Head of the Europe Division in the Swiss State Secretariat of the Federal Department of Foreign Affairs) for Switzerland. Negotiations are ongoing.

The changes the agreement would bring

While there is no agreement yet, the available documents and the counterparts' negotiating guidelines suggest that the following changes could take place.

Switzerland would continue participating in work on [stability and cohesion](#) (to reduce economic and social disparities in the EU), in which it has participated financially since 2007 (through an enlargement contribution as of 2007 and a second Swiss contribution as of 2019).⁹ The parties would negotiate a legally binding mechanism for regular contributions (although the exact features of this mechanism, and the duration, amount and partner countries, have not yet been specified).

Switzerland would adopt the [Citizens' Rights Directive](#) (CRD) within the framework of the existing EU-Switzerland Agreement on the Free Movement of Persons (AFMP). However, to assuage Swiss concerns, the EU would concede certain arrangements, so that the consequences of such an adoption for the Swiss social system are limited, the provisions of the Federal Constitution on expulsion under criminal law are complied with, and the level of Swiss wage protection is maintained.¹⁰

Switzerland would adopt developments in EU law regarding [overland transport](#), and would adopt EU rules on State aid in international transport. At the same time, it would keep some key exemptions (such as the prohibition of cabotage, and the ban on Sunday and night-time driving). Switzerland would also open up to international rail passenger transport (currently, foreign rail companies can offer their own connections to the country only in cooperation with the Swiss national rail company, SBB). In addition, the institutional elements would be incorporated in the existing air transport agreement between Switzerland and the EU.

The institutional issues would be anchored directly in the existing [mutual recognition agreement](#) (MRA), ensuring it will be regularly updated in the future. The MRA covers 20 product sectors (such as machinery and medical devices) which represent more than 60 % of total Swiss industrial goods exported to the EU. At the same time, existing exemptions for differing product regulations (such as hot water boilers) would be retained in the MRA.

Switzerland would be expected to monitor its [State aid](#) in the electricity, air and overland transport sectors. New state subsidies exceeding a threshold or not covered by exemptions would have to be reported to a Swiss supervisory authority, which would issue an opinion on the proposed subsidies. Failure to observe an opinion may result in the authority bringing a case before the Swiss courts.

The EU-Switzerland [electricity](#) agreement would regulate Switzerland's access to the EU's internal electricity market, minimise risks such as unplanned flows, and help to ensure security of supply. At the same time, the scope of the agreement would be strictly limited to electricity-trading issues. Basic service provision would continue for households and small businesses, which will not have to purchase electricity on the free market. Switzerland would also have the possibility to secure its supply of electricity where required through the implementation of proportionate, essential measures that will not have any distorting effects.

With the new single market agreement on [food safety](#), Switzerland would obtain access to the relevant EU committees and working groups, as well as EU alert systems (including fraud protection and the rapid alert system for food and feed – RASFF) and the European Food Safety Authority (EFSA). Swiss producers would also gain better access to the EU single market (and EU producers to the Swiss market in return), while cooperation on the authorisation of novel foods would be reinforced. At the same time, (i) existing exemptions (including the ban on genetically modified seeds and the ban on transporting animals for slaughter by road) would be retained, and (ii) agricultural policy and the existing border protection for agricultural products (i.e. customs duties and tariff quotas) will not be affected by the agreement.

Through the agreement on [health](#), Switzerland would become involved in mechanisms for tackling serious cross-border health threats (such as an early warning and response system (EWRS) and the Health Security Committee (HSC)), in the European Centre for Disease Prevention and Control (ECDC) and in the EU's multiannual Health programme.

On [education, research and innovation](#), Switzerland would be associated anew to key cooperation programmes, such as the Horizon package and Erasmus+.¹¹

Stakeholder views

In [Switzerland](#), the right-wing Swiss People's Party is totally opposed to the agreement and speaks of a 'treaty of subjugation'. The greatest extra-parliamentary criticism comes from trade unions, which fear a deterioration in wage protection and consider the mandate to be unsuitable in this respect.

Signature and ratification process

The process will only begin once an agreement has been reached. Future updates will cover the process in both the Council and Parliament, as well as any legal challenges to the agreement, in particular under Article 218(11) TFEU.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

Hallak I., [EU-Swiss trade relations and the institutional framework agreement](#), EPRS, European Parliament, July 2021.

OTHER SOURCES

European Parliament resolution of 4 October 2023 on [EU-Switzerland relations](#) (2023/2042(INI)).

The portal of the Swiss government on '[Swiss-EU relations](#)'.

[EFTA-Studies.org](#) project.

ENDNOTES

- ¹ As an EFTA member, [Switzerland](#) took part in the negotiations for the EEA agreement and signed the agreement on 2 May 1992. Immediately after that, the Swiss Government submitted an application for accession to the EU on 22 May 1992. However, following a referendum on 6 December 1992 that yielded a vote against participating in the EEA, the Swiss Federal Council stopped pursuing the country's EU and EEA membership.
- ² In a referendum 'against mass immigration' that took place in February 2014, Swiss voters narrowly approved a proposal to limit the freedom of movement of foreign citizens to Switzerland. Following the referendum, the EU conceded that Swiss law could require Swiss employers to give priority to Swiss-based job-seekers.
- ³ The EU [offered](#) a two-pillar arrangement whereby EU rules would apply in Switzerland but would be implemented through an autonomous Swiss surveillance mechanism with powers equivalent to the European Commission's. However, when the EU negotiated its post-Brexit relationship with the UK, some in Switzerland thought that the UK received a better State aid deal.
- ⁴ This is an important and [difficult point](#): while the EU wants the CJEU to rule on disputes in market access agreements between the EU and Switzerland concerning the interpretation of single market law, many Swiss political players see this as a loss of sovereignty.
- ⁵ Namely Horizon Europe, the Euratom research and training programme, the activities of the European Joint Undertaking for ITER and the Development of Fusion Energy, and the Digital Europe and Erasmus+ programmes.
- ⁶ These could relate to enhanced protection against expulsions, permanent residence for economically inactive EU citizens, requirements for biometric identifiers on national identity cards, and existing exceptions to coordination of social security schemes.
- ⁷ The guidelines note that they should be limited to prior notification of the cross-border provision of services in order to facilitate controls in specific sectors based on risk assessments, the deposit of a financial guarantee for service providers who failed to meet their prior financial obligations, and requirements on self-employed persons as regards the provision of clearly limited and specified documents.
- ⁸ Delegation for Northern cooperation and for relations with Switzerland and Norway and to the EU-Iceland Joint Parliamentary Committee and the European Economic Area (EEA) Joint Parliamentary Committee.
- ⁹ In 2007, [Switzerland](#) agreed to pay around CHF 1.3 billion over 10 years to the new Member States, and for migration issues. For the 2019-2029 period, it agreed to pay another CHF 1.3 billion for the same goal.
- ¹⁰ Switzerland would keep the right of expulsion from its territory under criminal law. In addition, the right of permanent residence provided for in the CRD after five years would only be granted to gainfully employed persons, and Switzerland would be able to terminate the residence of unemployed non-permanent residents if they do not cooperate with the public employment service to find a job within a reasonable period. It would also be possible to maintain the current registration procedure in Switzerland for those starting a job on a short stay (up to three months), making labour controls possible. Lastly, Swiss citizens would decide for themselves whether to apply for biometric identity cards. Non-biometric ID cards would remain valid for travel to the EU during a very long transition period.
- ¹¹ In this regard, Vice-President Šefčovič [noted](#) on Twitter in July 2024 that the parties had made progress on a transitional agreement for Switzerland's participation in Horizon in 2025.

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