# Business View of the EU from Switzerland

*Throughout Brexit negotiations, the relationship between Switzerland and the EU has been a frequent comparator. For British firms, a deal identical to Switzerland's would have benefits in terms of deep market access for some sectors, but both the UK and the EU would have political concerns and there are a number of legitimate business issues to take into account as well. To help policymakers and business leaders alike understand how the relationship between Switzerland and the EU operates, the CBI has consulted with Swiss companies, the Swiss business federation EconomieSuisse, and UK firms with interests in Switzerland, and compiled this briefing.*

Switzerland enjoys access to parts of the EU single market through over 120 bilateral trade agreements with the EU that have been negotiated over many years. These sector-specific and rule-specific agreements grant Swiss companies tariff-free access to the single market, for most non-agricultural goods, and also cover the free movement of people. The bilateral agreements rely on the equivalence of EU and Swiss legislation or the incorporation of EU laws.

| Includes | Does not include |
|---|---|
| Partial tariff-free access to single market | Frictionless trade (No customs union) |
| Regulatory alignment in certain sectors | Comprehensive agreement on services. |
| Sign free trade agreements with third countries | Ability to shape EU rules |
| Financial contribution to the EU | ECJ oversight (joint committees monitor compliance) |
| Free movement of people | |

## Trade is relatively seamless at the border, but there are tariffs and burdens at and behind the border

Like the UK, the EU is Switzerland's largest trading partner. Switzerland imported €110.4 billion worth of goods from the EU in 2017.[1] Switzerland is also an important market for the EU – only the USA and China do more trade with the EU than Switzerland.[2] The agreements between Switzerland and the EU sets zero or very low tariffs except in areas where the EU has established anti-dumping measures. However, goods being imported or exported to or from the EU must go through Swiss customs procedures.

## Advantages

**Minimal tariffs**

- There are zero tariffs on Swiss-EU trade for a wide range of machinery products, watches and textiles – meaning cheaper goods for businesses and consumers on both sides.
- Switzerland and the EU have been improving their deal on tariffs over time. For example, in recent years the EU has removed duties on Swiss exports such as chocolate, biscuits or sweets and in return Switzerland has reduced custom duties on imports of EU products.

**Reduced customs barriers**

- The EU-Swiss customs agreement has simplified inspections and formalities in respect of the carriage of goods and customs. Swiss companies can announce their goods within 24 hours prior to pass through customs.
- After the customs clearance has been made there is a 60-day window to correct any

[1] European Commission, Trade in goods with Switzerland

[2] European Commission, Trade in goods with Switzerland

mistakes in the customs declaration on a voluntary disclosure basis.

**Ability to sign free trade agreements with third countries**

- Being outside of a customs union means Switzerland is not subject to a common external tariff. This leaves Switzerland able to conclude trade deals with third countries.
- Switzerland negotiates trade deals bilaterally and as part of the EFTA bloc (with Iceland, Liechtenstein and Norway). Negotiating as part of a group of countries in EFTA often allows more advantageous trade deals to be reached. Switzerland has trade agreements with Japan and China.

*"Payable customs duties are zero on alcoholic beverages which are imported to Switzerland from the EU. Although, customs duty is payable if the direct shipment rule is not met, which means that the goods are not shipped immediately from the supply site to Switzerland, but the shipment is stopped for example in our warehouse in Germany," – multinational alcoholic beverage company exporting from the UK to Switzerland.*

*"We have experienced the Swiss import process working relatively well: fast and easy to handle and we have not experienced any customs duty related audits yet," –firm exporting from the UK to Switzerland.*

### Challenges

**Tariffs in certain sectors**

- A number of important Swiss goods such as steel are subject to tariffs through the EU's anti-dumping regime, which applies to almost all third countries.
- Trade in meat, certain processed agricultural products, fisheries, food and tobacco are subject to tariffs, including 10% on tobacco, 13% on beef, and 6% on lobster[3].

**Burdensome customs procedures**

- Switzerland is not part of the EU's customs union or VAT regime, and it therefore has a border with the EU which is staffed and has cameras and other infrastructure.
- Exports require customs declarations, multiple forms, checks by tax authorities and rules of origin forms before goods can cross the border.

*"When trading with Switzerland, we just have a few minor additional administrative steps which require us to produce a certificate of origin via our local Chamber of Commerce. This then needs to be included with every shipment and copy sent to our importer there... this adds a £400 processing cost per shipment and the impact on margin would be higher for a lower value product," – SME spirits company exporting from the UK to Switzerland.*

## Being partially in the single market is advantageous for trade but can be complex

The implementation and development of the EU-Swiss agreements are managed by 27 joint committees, which are also forums for dialogue in case of disagreement between the two parties.

### Advantages

**Choice over EU rules adopted**

- By signing agreements that cannot be amended substantially without renegotiation, Switzerland has retained formal control over which EU rules will be incorporated into Swiss law.
- Switzerland applies EU law by cooperation and has not transferred any legal or decision-making power to a wider group of states such as Norway, where the enforcement of new EU rules is subject to unanimous agreement within the EEA structure.

**Regulatory alignment in certain sectors simplifies product certification and increases economies of scale**

- There is a level of mutual recognition across certain sectors which means that a product compliant with Swiss regulations does not need additional EU certification – and vice-versa. For example, this allows Swiss drugmakers to export their products to Europe based on Swiss standards and inspection procedures so checks and regulatory approval into the EU market only take place once, thereby reducing costs for firms.

[3] European Commission, Market Access Database

### Challenges

**Regulatory alignment only covers certain sectors**

- The level of mutual recognition covers around a quarter of all Swiss exports to the EU[4], specifically industrial goods in the most important product sectors such as machinery, medical devices, electrical equipment and construction products. This means only these sectors benefit from preferential trade.
- Some regulations concerning food standards have not been harmonised (e.g. the fat content of cheese), which means that products exported from Switzerland to Germany have to be labelled differently.

**Burdensome management of agreements creates uncertainty for businesses**

- No single institution interprets the sectoral bilateral agreements in a universal manner. This creates uncertainty for businesses looking for clarity when disagreement arises.
- The sheer number of joint committees creates challenges when deciding which committee should oversee a particular sectoral agreement- leading to a lack of coverage of certain issues and creating costly delays for business such as the case of mutual recognition of drivers' licenses, where it was unclear whether this would fall under the free movement of persons or under land transport.

**No comprehensive agreement on services**

- There is no bilateral agreement on services between the UK and the EU, which leaves Switzerland largely dependent on the General Agreement on Trade in Services (GATS) when accessing the EU market.
- The current 'equivalence' model only covers specific areas and can be withdrawn by the Commission at any time. It is unclear how access to EU markets would be maintained were the Swiss to diverge from EU rules or if Switzerland failed to adopt future changes to EU regulations.

**Rules must be constantly updated in line with the EU for businesses to maintain market access**

- Agreements reflect the rules as they were originally adopted and there is no mechanism to address future changes. The Swiss agreements need to be updated regularly due to changes in EU regulations to ensure conformity of Swiss regulations. This has proved to be very political- the EU argues that any updates have to be treated as a new agreement requiring a new institutional framework.
- Swiss access to the single market is only guaranteed as long as the EU's rules stay the same when the agreement was made.

## Switzerland operates free movement with the EU, but has greater control than the UK

As part of its bilateral agreements with the EU to gain access to the Single Market, Switzerland accepted a specific agreement on the free movement of persons. This has been progressively increased as new countries have joined the EU.

### Advantages

**Continued access to European workers**

- EU migration has boosted jobs, investment and trade in Switzerland. EEA membership allows Swiss companies to continue to access the labour and skills required to deliver prosperity and remain competitive.

**The ability to easily move staff to and from the EU**

- Free movement has enabled businesses to quickly move their staff around Europe with ease. This means firms can access niche specialist skills by temporarily bringing European teams to Switzerland, send staff to the EU for secondments to share best practice, and easily travel for temporary project work in the EU.

### Challenges

**Less control over the migration system than a third country**

- Free movement of people can be politically challenging. However, EU nationals in Switzerland are subject to more stringent controls than those in the UK. After three months in Switzerland, EU nationals are required to prove they are in work, legitimate self-employment or financially self-sufficient with full health insurance in order to stay in Switzerland.
- Immigration from specific EU countries can be capped for a limited time period if the number

[4] SECO- State Secretariat for Economic Affairs, International Agreements (Mutual Recognition Agreements)

of arrivals in a given year exceeds the average for the three preceding years by at least 10%.[5] Switzerland has currently invoked the safeguard clauses for Bulgarian and Romanian nationals, limiting the resident permits available until June 2018.

- And following a referendum vote in February 2014 in favour of restricting immigration, Switzerland has negotiated additional amendments. The Swiss intends to legislate to states that if the average unemployment rate is higher than 8% in a particular region, new employment opportunities must first be advertised to people registered as seeking work at their canton.

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[5] Mission of Switzerland to the European Union, Free movement of persons- functioning and current state of play