

Switzerland and the European Union



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Foreign Affairs FDFA

Introduction

The European Union (EU) is one of Switzerland's major partners: Switzerland is located in the heart of Europe and therefore also in the heart of the EU area. It shares cultural and historical values with the EU and its member states. Three of Switzerland's four national languages are spoken in the EU member states. Switzerland is also one of the EU's major partners.

An active policy on the EU is therefore essential for Switzerland's prosperity. Switzerland is not a member state of the EU; instead it conducts its relations with the EU on the basis of bilateral sectoral agreements. Since the Free Trade Agreement of 1972 and the Swiss electorate's rejection of the European Economic Area (EEA) in 1992, an increasingly dense network of agreements has been developed between Switzerland and the EU in several stages. This bilateral approach enables Switzerland to adopt a policy based on openness and cooperation with its European neighbours. The electorate has endorsed the bilateral approach in various referendums.

Close relations with the EU and its member states are particularly important for Switzerland as a business location. In 2013 Switzerland's volume of exports to the EU amounted to approximately CHF 116 billion, while the volume of imports from the EU totalled CHF 136 billion. About 55% of Swiss exports went to the EU, and 73% of EU imports went to Switzerland.

Owing to its huge single market, the EU is not only the world's biggest economic power ahead of the United States and Japan, but as an association of 28 member states also plays an important role in peace and stability on the European continent. Besides several rounds of geographic enlargement, EU states have also stepped up their cooperation, in particular in economic and monetary policy as well as in the spheres of justice and home affairs.

On 9 February 2014, a majority of the Swiss electorate and cantons voted in favour of the mass immigration initiative and so in favour of a new immigration system. Even if this approval of a new article to the Federal Constitution was not a rejection of the bilateral approach, relations between Switzerland and the EU have become more difficult ever since. However, the Federal Council has affirmed its determination to maintain and further develop Switzerland's close and important relations with the EU and its member states. The Federal Council has to implement the new constitutional provisions by February 2017.

This brochure provides detailed information about the composition and working methods of the EU, as well as explanations about Switzerland's policy on the EU, bilateral agreements and the challenges of the years ahead.

The latest developments are outlined on the website of the Directorate for European Affairs (DEA):
www.eda.admin.ch/europa.

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The European Union

The European Union (EU) is a confederation of countries and a supranational alliance of currently 28 (as of 2014) sovereign states with a population of over 505 million. The member states cede some of their decision-making powers and competences to community institutions. EU regulations and directives are binding on member states in the areas defined by the treaties, such as trade policy, customs and competition rules for example.

In its policies relating to home affairs and justice, the EU member states also work closely together to create an “area of freedom, security and justice”. The Common Foreign and Security Policy enables the member states of the EU to speak in one voice internationally. The European single market is the world’s largest internal market and is based on the four fundamental freedoms of free movement of goods, persons, services and capital. Within the EU, 18 states (expected to be 19 in 2015) form the European Economic and Monetary Union, with the euro as the single currency.

The EU-28 in brief

Member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

Population: More than 505 million people. The country with the largest population is Germany, with 80.5 million inhabitants. The smallest population in the EU is Malta’s: approximately 421,400. After China and India, the EU has the world’s third largest population.

Surface area: Over 4 million km². With a surface area of 544,000 km², France is the largest country in the EU; Malta is the smallest, with a surface area of 300 km².

Official languages: 24. Members of the European Parliament have the right to use any of the EU’s official languages when speaking in Parliament. With 1,750 linguists, the European Commission has one of the largest translation services in the world.

Economy: GDP 2013: 13,069.7 billion euros. The EU’s economy – measured in terms of the goods and services it produces (GDP) – is now bigger than that of the United States (12,649.4 billion euros).

Trade: Share of global imports 16%, share of global exports 15.5% (2012). The EU is the world’s second largest importer, ranking just behind the USA (16.2%). It is also the world’s largest exporter, ahead of China (14.7%) and the USA (11.1%).

Source: Eurostat

The political system of the EU today is based on two core treaties that contain both supranational and intergovernmental rules. Its main institutions are: the European Council, in which the heads of state and government of the individual member states are represented; the Council of Ministers, representing member state governments; the European Parliament, representing EU citizens; the European Commission, the EU’s executive arm, and the Court of Justice of the European Union as its judiciary.

The EU acquired legal personality at the end of 2009 and has the right to speak and make interventions at the UN. It has also committed itself to joining the European Convention on Human Rights (ECHR). The EU holds an observer status in the G8, the forum of the most important industrialised nations; it is a member of the Group of Twenty leading industrial and emerging economies (G20) and it represents its member states in the World Trade Organisation (WTO).

1946

Winston Churchill

The British Prime Minister from May 1940 to July 1945, calls for Europe to unite along the lines of the United States in September 1946. The “United States of Europe” would enable the European family to live in peace and security, Churchill said in a speech at the University of Zürich.

1950

Robert Schuman

The French Foreign Minister, proposes the idea of common control over the production of coal and steel with the Federal Republic of Germany, open also to other European countries, on 9 May 1950. The idea is regarded as the cornerstone of the present day European Union. Since 1986, May 9 is celebrated every year as Europe Day.

1951

Treaty of Paris

On 18 April 1951 the Federal Republic of Germany, France, Belgium, Italy, Luxembourg and the Netherlands sign the Treaty of Paris establishing the European Coal and Steel Community (ECSC). The aim is to create a common market among equal partners after the end of World War II.

1955

Messina Conference

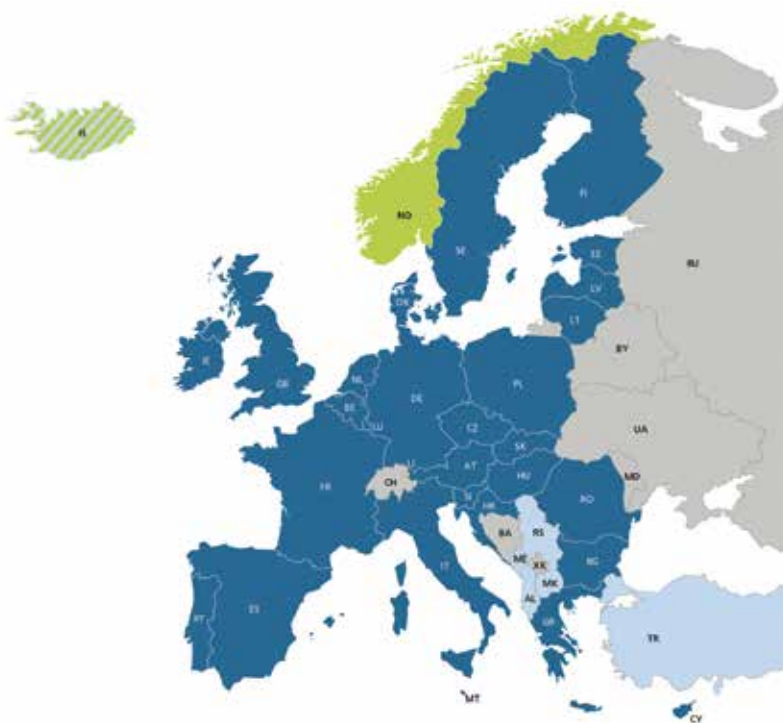
At a conference in Messina in early June 1955, the foreign ministers of the six ECSC member states agree to widen the process from steel and coal to encompass economic integration.

The EU motto is “united in diversity”. In other words, the EU member states have come together not merely for economic reasons but because they share common values, namely respect for human dignity, freedom, democracy, equality, rule of law, human rights and the rights of minorities. It is the intention of the EU member states to work jointly towards peace and prosperity, while respecting the diverse cultures, traditions and languages in Europe.

The EU’s mission in the 21st century is to:

- maintain peace between its member states;
- bring European countries together in practical cooperation;
- ensure that European citizens can live in security;
- promote economic and social solidarity;
- preserve European identity and diversity in a globalised world, and
- promote the values that Europeans share.

In 2012 the EU received the Nobel Peace Prize “for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe”.



- 28 EU countries
- European Economic Area EEA
- EU membership candidates

1957

Rome treaties

On 25 March 1957 the six member states party to the Treaty of Paris sign the Treaties establishing a European Economic Community (EEC) and a European Atomic Energy Community (EURATOM) in Rome. The treaties enter into force on 1 January 1958. The EEC envisages a common internal market and a customs union with free movement of persons, goods, services and capital. EURATOM is intended as an instrument to control and coordinate civilian nuclear power.

1960

Establishment of EFTA

At the initiative of the United Kingdom, the seven non-EEC states of Denmark, Norway, Austria, Portugal, Sweden, the United Kingdom and Switzerland sign the Convention establishing the European Free Trade Association (EFTA) in Stockholm on 4 January 1960. This is intended as a counterbalance to the EEC and EURATOM.

1965

Merger Treaty

The treaty merging the executive bodies of the three communities, ECSC, EEC and EURATOM, is signed on 4 April 1965. They are replaced by a single Council of Ministers and a Commission. The Merger Treaty comes into effect on 1 July 1967.

1966

Luxembourg compromise

After a political crisis lasting almost one year, France agrees to resume participation in Council meetings. In return, the Council will continue to require unanimity in decisions where major interests are at stake.

EU treaties

After World War II, the EU emerged from the idea of ensuring peace in Europe and preventing future military conflicts. This was to be achieved by concerted economic integration and intensified cooperation that would stimulate growth in a larger market.

Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands signed the Treaty of Paris in 1951, establishing the European Coal and Steel Community (ECSC). The institutions of the ECSC laid the foundations of the EU. In the course of time, the ECSC High Authority, its executive body,

became the European Commission and the Common Assembly became the European Parliament, whose powers continue to grow even today.

The next step was taken with the signing of the Treaties of Rome in 1957, which established the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM). With this, the six countries envisaged the creation of a free, common market and the development of nuclear power for peaceful purposes.

EU treaties

Treaty	Paris	Rome	Merger Treaty	Single European Act	Maastricht	Amsterdam	Nice	Lisbon
Signing	1951	1957	1965	1986	1992	1997	2001	2007
In force	1952	1958	1967	1987	1993	1999	2003	2009
					European Union (EU)			
		European Coal and Steel Community (ECSC)					⊗	
		European Atomic Energy Community (EAEC / EURATOM)					➡ EAEC Treaty	
		European Economic Community (EEC)		European Community (EC)		➡		
		European Communities					⊗	
		Common Foreign and Security Policy (CFSP)					➡	
		Police and Judicial Co-operation in Criminal Matters (PJCC)					➡	

⊗ Dissolution of the organisation
➡ Incorporation into new treaties

1973 Enlargement of the EC to nine members

Denmark, Ireland and Great Britain join the European Economic Community and simultaneously leave EFTA. Norway rejects accession in a referendum.

1975 Wider powers for European Parliament

The member states sign a treaty that gives the European Parliament wider budgetary powers and enables the establishment of the European Court of Auditors. The treaty enters into force on 1 June 1977.

1979 Direct elections to the European Parliament

For the first time, citizens of the member states elect their representatives to the European Parliament in direct elections in June 1979. Ever since, elections take place every five years.

1981 Enlargement of the EC to ten members

Greece becomes the tenth country to join the European Community.



A warm welcome for the British war-time prime minister Winston Churchill in Zurich, September 1946. Churchill delivers a speech in the auditorium of the University of Zurich in which he calls for the "creation of the United States of Europe": "Let Europe arise".

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The third step was the so called Merger Treaty. This fused the institutions of the three Communities in 1967, which were then redesignated as bodies of the European Communities.

The signing of the Single European Act (SEA) in 1986 marked the conclusion of a process of reform lasting several years. The Treaties of Rome were revised and expanded. The Act envisaged the completion of the European Single Market by 1993, harmonisation of economic legislation and the removal of all national barriers to trade in the EU zone.

The Maastricht Treaty of 1992 laid the cornerstone of the European Union, extending its powers to non-economic areas. Apart from establishing an economic and monetary union, Maastricht brought about closer coordination and cooperation in foreign and security policy (CFSP) and in the areas of home affairs and justice. The EEC was renamed, becoming the European Community (EC), because in addition to economic policy it was now also responsible for other areas, such as environmental policy.

A further revision of the EU treaties took place in 1997 with the Treaty of Amsterdam and, in 2001, the Treaty of Nice. The treaties brought about institutional reform to ensure that the institutions would be able to function efficiently in future and after further enlargement. The reforms were directed at preventing deadlocks from occurring and making EU institutions more democratic. The powers of the European

1985

Schengen Agreement

On 14 June 1985 Germany, France, Belgium, Luxembourg and the Netherlands sign the Schengen Agreement, which provides for the gradual reduction of checks on individuals at the internal borders of the contracting parties. The Agreement is incorporated into the EU Treaty of Amsterdam of 1999.

1986

Enlargement of the EC to twelve members

Portugal – which leaves EFTA – and Spain join the European Community, raising the number of member states to twelve.

1986

Single European Act

The Single European Act is signed in February 1986. It sets out the goal of completing the European internal market with free movement of persons, goods, services, capital and no border controls by 1993. It also strengthens Parliament's co-decision rights and extends the areas in which Council decisions are taken by a qualified majority vote. The Act enters into force on 1 July 1987.

1989

Fall of the Berlin Wall

The Berlin Wall is pulled down on 9 November 1989, ending the East-West division of Europe's political landscape between the systems of democratic market economy and communist planned economy. This leads to the reunification of Germany in October 1990 and to the democratisation of the countries in central and eastern Europe. The Soviet Union collapses in December 1991.

Parliament, for instance, were widened. The co-decision procedure was extended to include almost all areas in which the Council of Ministers took decisions by a qualified majority vote.

The reforms facilitated enhanced cooperation between member states in individual policy areas, even if not all member states did participate. The reforms were modelled on the monetary union and the Schengen Agreement for the removal of border controls, both of which were now integrated in EU law. By working together more closely in the area of judiciary, civil and criminal law, the EU member states sought to create an “area of freedom, security and justice”. The post of High Representative was created for the Common Foreign and Security Policy.

The Constitutional Treaty for Europe was rejected in referendums in France and the Netherlands. Following a brief pause for reflection, the heads of state and government agreed on the Treaty of Lisbon (2007) that became effective at the end of 2009 and is still in force today. The Lisbon Treaty retained the most important aspects of the Constitutional Treaty. It reformed the EU’s political system with the aim of ensuring effective functioning as well as its capacity to act and further evolve. Internal mechanisms for coordination were extended, vetoes by individual member states were restricted and Parliament was given additional powers. The EU acquired legal personality, so it can act as an independent institution in terms of its Common Foreign and Security Policy.

The Lisbon Treaty also deals with EU citizenship and the ensuing rights and duties. All citizens of an EU member state are simultaneously citizens of the EU. They also enjoy rights in member states of which they are not citizens. These include the right of establishment and residence, freedom of movement for workers and portability of social insurance, ban on discrimination and the right to vote in municipal elections at the place of residence etc.

The EU introduced the European citizens’ initiative as an instrument of direct democracy which can be used since 2012. One million attested signatures from at least a quarter of the EU member states are required for the European Commission to take up an issue raised by a citizens’ initiative. Such issues are restricted to areas that fall within the competence of the European Commission. Petitions for a reform of the treaties are not permitted.

Following the coming into force of the Lisbon Treaty, the legal framework of the EU today is provided primarily by the Treaty on European Union (formerly the Treaty of Maastricht) and the Treaty on the Functioning of the European Union (formerly the Treaty establishing the European Communities).

1992

Treaty of Maastricht

In December 1991, the European Council (of heads of state and government) approves a new treaty in Maastricht. It forms the foundation of a common foreign and security policy, closer cooperation in the areas of justice and home affairs as well as economic and monetary union with a common currency. The EEC becomes the European Community (EC). The Treaty on European Union (EU Treaty) is signed on 7 February 1992 and enters into force on 1 November 1993.

1995

Enlargement of the EU to 15 members

Am 1. Januar 1995 treten Finnland, Österreich und Schweden der EU bei und verlassen damit die EFTA. Die EU zählt jetzt 15 Mitgliedstaaten. In Norwegen lehnt die Bevölkerung einen EU-Beitritt zum zweiten Mal ab.

1997

Treaty of Amsterdam

The member states sign the Treaty of Amsterdam on 2 October 1997, which extends and reforms the Treaty of Maastricht. The application of the qualified majority vote is extended to more areas and the EU Parliament is given more far-reaching powers, thereby reinforcing the democratic legitimacy of the EU. The division of powers between the EU and its member states is also better defined. The Schengen Agreement on the abolition of border controls is integrated in EU law, as is the Stability and Growth Pact. The Treaty enters into force on 1 May 1999.

1999

Introduction of the euro as accounting currency

On 1 January 1999, eleven EU member states introduce the euro for non-cash transactions on the financial markets. The exchange rates for national currencies are irrevocably fixed. The European Central Bank assumes responsibility for the EU’s monetary policy.

EU enlargement

From the time of its inception, the EU has grown to 28 members (as of 2014) in seven stages. Denmark, Great Britain and Ireland joined the European Community in 1973. They were followed in 1981 by Greece and in 1986 by Portugal and Spain. In 1995 Finland, Sweden and Austria voted for accession to the EU.

The biggest enlargement was the enlargement to the east in 2004, when ten new countries (EU-10) joined the EU at the same time: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovenia, Slovakia, Hungary, Malta and Cyprus. They were followed in 2007 by Romania and Bulgaria. Croatia joined the EU in 2013, bringing the total number of member states to 28.

A European state can apply for membership of the EU if it respects the democratic values of the EU (see Chapter 1.1) and is committed to promoting these values. In addition, at its Copenhagen summit in 1993, the European Council defined three general criteria for the accession of future EU candidates: stable, democratic framework, viable market economy as well as administrative and institutional capacity to take on the obligations of membership. Add to this the condition that the EU is able to absorb new members (ability to enlarge).

The EU supports candidate countries in meeting these criteria through accession partnerships. Stabilisation and association agreements pave the way for the accession process. Upon conclusion of this process, which can last several years, the accession treaty must be ratified by all EU member states, the accession candidate and the European Parliament.

Currently (middle of 2014) the accession candidates are Albania, Iceland, Montenegro, Macedonia, Serbia and Turkey. Negotiations are already ongoing with some of these countries. The Western Balkan states of Bosnia and Herzegovina and Kosovo are regarded as potential candidates.

Nobel Peace Prize 2012

In 2012, the EU becomes the 21st international organisation to receive the Nobel Peace Prize for its greatest achievement, "the successful struggle for peace and reconciliation and for democracy and human rights". In an EU-wide survey, 75% of respondents agree that peace and democracy are the biggest achievements of the EU.

Two-thirds of respondents are proud that the EU has received the Nobel Peace Prize. Six out of ten respondents endorse awarding the Nobel Peace Prize to the EU and feel that it will improve the EU's image.

A majority of respondents in Greece, Austria, Slovenia and the Netherlands hold a diametrically opposite view.

2000

Lisbon Strategy

The European Council develops a new strategy to promote employment within the EU, modernise the economy and strengthen social cohesion in Europe. The Lisbon Strategy aims at making the EU the most competitive and dynamic economy in the world by 2010.

2001

Treaty of Nice

The EU member states sign the Treaty of Nice on 26 February 2001. It is aimed at reforming decision-making processes in the EU in view of future enlargements. It is considered the charter of fundamental rights of the EU. The Treaty enters into force on 1 February 2003.

2002

Introduction of euro notes and coins

On 1 January 2002, uniform euro currency notes and coins are issued in 12 EU countries. With this, the euro replaces the national currencies. Denmark, Great Britain and Sweden do not join the monetary union.

2004

Enlargement of the EU to 25 members

On 1 January 2004, the EU-10 Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, the Czech Republic, Hungary and Cyprus join the EU, bringing its membership up to 25 European countries.

Political system and functioning

The EU is a supranational alliance of sovereign states and hence cannot define its own powers and competences. These are delegated to it by the member states. EU institutions can act in only those areas that have been explicitly mentioned in the treaties, also referred to as primary legislation. This corresponds to the principle of conferral.

The legislative procedures of the EU are derived from this principle. EU regulations apply to all member states. The member states must incorporate EU directives in their national laws. The Court of Justice of the European Union is the final authority on the interpretation of EU legislation.

By virtue of the legal personality it acquired after the coming into force of the Lisbon Treaty, the EU can be a signatory to international agreements, although this requires a decision of the Council of Ministers and the consultation or assent of Parliament. The EU can enter into diplomatic relations with other countries through the European External Action Service and can apply for membership to international organisations.

The functioning, competences and voting procedures vary according to policy area. In instances where by virtue of the treaties, the EU is responsible for legislation in a particular area, the legal instruments adopted by the Commission, Council of Ministers and Parliament are legally binding on the member states and take precedence over national law.

In other areas, such as the Common Foreign and Security Policy, cooperation is merely coordinated at an intergovernmental level. The decisions of the European Council are principally unanimous. Although not legally binding, they are politically binding on the member states. The European External Action Service is responsible for implementing the decisions.

In areas where the EU is not competent to legislate, informal consultations are held within the Council of Ministers and the Commission. These result in non-binding recommendations and guidelines.

EU symbols

Anthem

Since 1986 the EU shares its anthem with the Council of Europe, which adopted Ludwig van Beethoven's 'Ode to Joy' as its anthem in 1972. It expresses the European ideals of freedom, peace and solidarity without words, in the universal language of music.

Flag



Since 1986 the EU also shares the twelve golden stars on a blue background with the Council of Europe. The Council created the European flag in 1955 as a symbol of Europe's common values and ideals. The stars arranged in a circle represent the ideals of unity, solidarity and harmony among the peoples of Europe. The number of stars has nothing to do with the number of member states. All EU institutions use their own emblems.

2004

European Constitution

The 25 EU heads of state and government sign a European constitution on 29 October 2004. In the first half of 2005 the constitution is rejected in referendums in France and the Netherlands, leading to the failure of this project.

2007

Enlargement of the EU to 27 members

Bulgaria and Romania join the EU on 1 January 2007, raising the number of member states to 27. At the same time, Slovenia becomes the 13th EU member state to introduce the euro.

2007

Treaty of Lisbon

A new treaty is signed in Lisbon on 13 December 2007 in place of the constitution. This does not replace the previous treaties; instead it changes and revises them. The Lisbon Treaty provides for a permanent president of the European Council and creates the post of the high representative of the Union for Foreign Affairs and Security Policy. The EU Parliament is given more powers and the European citizens' initiative is introduced. The Treaty of Lisbon comes into effect on 1 December 2009.

2008

Enlargement of the EU to 27 members

Bulgaria and Romania join the EU on 1 January 2007, raising the number of member states to 27. At the same time, Slovenia becomes the 13th EU member state to introduce the euro.

Competences

According to the treaties, the European Union has exclusive competence in the areas of customs union, the rules governing competition within the single market (and its four freedoms), monetary policy for member states of the Eurozone, the common fisheries policy for conserving marine biological resources and the common commercial policy.

Areas where competence is shared between the EU and its member states include the single market, aspects of social policy, agriculture and fisheries, environment, consumer protection, transport, energy, research and creation of an area of freedom, security and justice.

The member states remain responsible for areas where they have not transferred powers to the EU, unless they are unable to achieve the proposed objectives (principle of subsidiarity).

The EU may coordinate, supplement or support activities that member states are responsible for, such as culture, tourism, civil protection as well as education, vocational training, youth and sport. The member states, moreover, are obliged to coordinate their economic policies within the EU.

EU budget

The EU cannot itself impose taxes or levies. Instead, its three main sources of revenue are: membership contributions by EU states, a percentage of the member states' value added tax revenues and import duties levied at the EU's external borders. As opposed to its member states, the EU must present a balanced, zero debt budget. The European Parliament and the Council of Ministers share equal responsibility for adopting the EU's budget every year. Both institutions also decide on a binding financial framework for a period of seven years.

About 90 percent of budget revenues flow back to the member states. The EU strives to narrow the gap in prosperity between individual EU countries. This results in conflicts between net contributors and net recipients, both with regard to the revenue as well as expenditure side of the budget. The majority of EU spending is allocated to agriculture, the promotion of rural development, structural and cohesion funds for financing sustainable development, research and the promotion of trans-European transport and energy networks.

2009

Enlargement of the monetary union to 16 members

On 1 January 2009, Slovakia becomes the 16th EU member state to adopt the euro.

2010

European Financial Stability Facility (EFSF)

The EU introduces a financial stabilisation mechanism on 9 May 2010 in response to the financial and Eurozone crisis; its total amounts to Euro 780 billion. In times of financial crisis this allows the EU to extend loans or lines of credit to requesting member states, subject to certain conditions.

2011

Enlargement of the monetary union to 17 members

Estonia is the 17th EU member state to adopt the euro on 1 January 2011.

2011

Ceiling for public debt

The 17 Eurozone states agree on 9 December to introduce ceilings for public debt and to impose penalties on defaulters. Countries that are not part of the Eurozone can also participate. The Treaty is signed on 2 March 2012 by 25 EU member states (except Great Britain and the Czech Republic).

EU institutions

The institutional structure of the EU has remained largely intact since its inception. What has changed are the responsibilities and powers of individual institutions. Their rights and obligations today have been laid down in both EU treaties. The EU has seven core institutions.

European Parliament

The European Parliament (EP) has its main seat in Strasbourg. Its General Secretariat is located in Luxembourg. The Parliament also occasionally convenes in Brussels. The Treaty of Lisbon has set the total strength of Parliament at 751 members (MEPs). Individual member states no longer have a fixed allocation of seats; smaller countries continue to have over-proportional representation. Since 1979, the 751 MEPs are elected directly in European elections every five years by the citizens of individual EU states. The EP is thus the only EU institution that is appointed

through direct elections. The powers of the European Parliament have steadily increased since its inception in 1952 and there has been a significant strengthening of its rights among the EU institutions. Parliament is responsible primarily for the following areas:

- Participation in law-making
- Decisions (jointly with the Council) on EU finances
- Supervision of the Commission
- Election and approval of members of the Commission and the Commission president.

European Council

The European Council has its seat in Brussels and is the highest political institution guiding the EU. The Council comprises the heads of state and government as well as the presidents of the European Council and the European Commission. Since the Treaty of Lisbon entered into force, the Council has been chaired by a permanent Council president. The Council convenes for what are known as the EU summit meetings twice every six months according to the rules of procedure. Extraordinary meetings of the Council may also be convened if the situation demands.

The European Parliament in Strasbourg

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2012

European Stability Mechanism (ESM)

The treaty to create a European Stability Mechanism, also referred to as the euro bailout fund, is signed on 2 February 2012. The institution is based in Luxembourg and assists Eurozone countries, when required, to ensure their financial stability. The treaty enters into force on 27 May 2012. From 1 July 2013 onwards the ESM permanently replaces the EFSF.

2012

Nobel Peace Prize 2012

The European Union receives the Nobel Peace Prize on 10 December 2012 for its contributions in the last sixty years to the advancement of peace and reconciliation, democracy and human rights.

2013

Enlargement of the EU to 28 members

Croatia becomes the EU's 28th member state on 1 July 2013.

2013

Oversight of banks

Regulations for creating a single supervisory mechanism for banks and credit institutions are adopted on 15 October. This establishes the first pillar of a European banking union.

- The Treaty states that the European Council “provides the Union with the necessary impetus for its development and defines the general political directions and priorities thereof”.
- As the highest EU institution, it seeks to achieve compromises in contentious matters and negotiations. Since decisions taken by the European Council are unanimous, its summit meetings are regarded as a barometer of the EU’s unity and capacity to act.
- The permanent president of the European Council prepares and chairs the summit meetings. The president is appointed by the Council for a term of two and half years; this term can be extended once for the same duration.

Council of Ministers

The Council of Ministers (Council of the European Union) with its seat in Brussels represents the governments of the EU member states in ten different compositions, each covering specific policy areas. In April, June and October the Council meets in Luxembourg. Every EU member state has the right to have a representative, who must be authorised by his or her government to take binding decisions. Following the Lisbon Treaty, important decisions are essentially adopted by a qualified majority vote, where the double majority of country and population is considered. On important issues the treaties require decisions to be taken unanimously (e.g. the admission of new members, combating discrimination, harmonisation of taxes required for the internal market). A simple majority is sufficient for organisational matters (e.g. the appointment of committees).

The country presiding over the Council changes every six months. The Foreign Affairs Council is the only exception. It is presided over by the high representative of the Union for Foreign Affairs and Security Policy (who has no voting rights).

- The Council of Ministers is responsible, jointly with the European Parliament, for EU legislation and the EU budget, although only revenues lie within the competence of the Council.
- The Council essentially coordinates the EU’s economic and social policy. It is the sole decision-making body with regard to the Common Foreign and Security Policy and certain areas of trade and social policy. Decisions in these areas must usually be taken unanimously.

European Commission

The European Commission (EC) with its seat in Brussels is the executive arm of the EU with additional powers to legislate. The Commission alone has the right to propose directives, regulations and decisions to the Parliament and Council of Ministers. It is made up of one commissioner per EU member state. The Lisbon Treaty, however, envisages a reduction in the strength of the Commission. This will be politically difficult to implement and it is not clear how the reduction envisaged by the Treaty will be achieved.

2014

Enlargement of the monetary union to 18 members

Latvia becomes the 18th EU member state to adopt the euro on 1 January 2014.

2015

Enlargement of the monetary union to 19 members

Lithuania plans to adopt the euro as the 19th EU member state on 1 January 2015.

Council of Europe

The Council of Europe with its seat in Strasbourg was established in 1949 and is the oldest intergovernmental organisation in Europe with the largest number of members. It is not an EU institution and should not be confused with the European Council or the Council of the European Union. The core issues taken up by the Council of Europe are the rule of law, the protection and advancement of human rights and democracy. One of its most important achievements is the European Convention on Human Rights (ECHR), which enables individuals to lodge complaints with the European Court of Human Rights in Strasbourg. Switzerland joined the Council of Europe in 1963. Today the Council comprises 47 member states with a total population of over 800 million.



Jean-Claude Juncker from Luxembourg is to follow José Manuel Barroso from Portugal as President of the European Commission.

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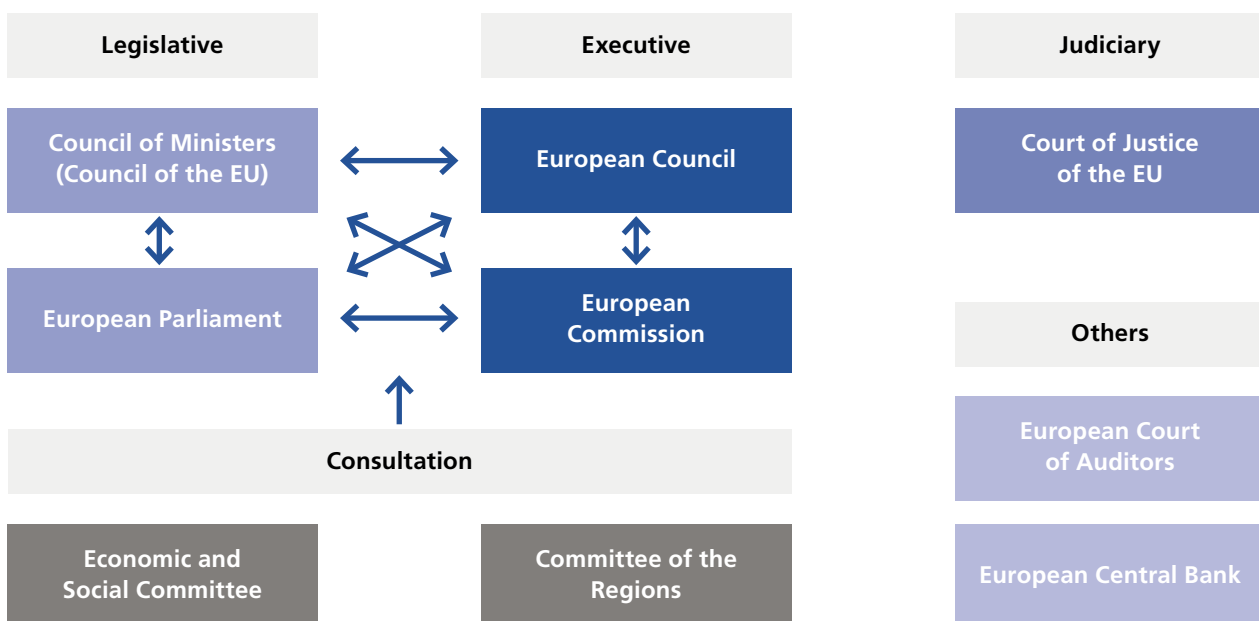
The Commission president is proposed by the European Council and elected by the European Parliament. The members of the Commission are appointed by the respective national governments in coordination with the Commission president. The European Parliament approves the appointment of the members and the president, who together form the College. Every Commission member is assigned a specific policy area. The president appoints the vice presidents. One of whom is the high representative of the Union for Foreign Affairs and Security Policy, who is elected by

the European Council after approval of the Commission president. Decisions within the Commission are based on the principle of collegiate responsibility.

- The Commission ensures the correct implementation of legislation, administers the budget and is responsible for framework and promotion programmes.
- As guardian of the treaties, it monitors compliance with EU laws. Cases of possible non-compliance are brought before the European courts. For instance, it examines if the member states are in compliance with the rules of the single market pertaining to subsidies.
- With regard to legislation, the Commission has the exclusive right of initiative for legislative proposals.
- At the international level, the Commission negotiates international treaties primarily in the fields of trade and cooperation and represents the EU in international organisations, for instance the World Trade Organisation (WTO).

In its work the Commission is supported by its own administrative service, divided into directorate generals responsible for specific policy areas. European agencies are responsible for special tasks.

EU institutions



Court of Justice of the European Union

The Court of Justice of the European Union (CJEU) has its seat in Luxembourg and constitutes the EU's judicial authority. It is responsible for ensuring that the law is observed in the interpretation and application of EU treaties. With the entering into force of the Lisbon Treaty, the CJEU designates the entire judicial system of the EU comprising the Court of Justice, the General Court, which is the court of first instance, and the specialised courts. The functions of the CJEU have been conclusively defined in the treaties. It has the following main tasks:

- The CJEU ensures the uniform interpretation of EU law. The member states must guarantee that all EU citizens are in a position to enforce their rights according to European law even in the national courts. The Court also deals with requests from national courts on the interpretation of EU law and EU treaties (referred to as a preliminary ruling procedure).
- The CJEU monitors the legal acts of EU institutions and the member states for compatibility with EU law. It settles actions brought by the Commission, member states or individual EU citizens regarding violations of European law and can impose penalties. In turn, the member states, EU citizens and companies can also lodge complaints against the Commission and other EU institutions.

The rulings of the Court are binding on all EU member states.

Judges and advocates general are elected for an extendable six-year term. Their election must be approved by the European Parliament. Every member state is represented by one judge at the Court.

European Court of Auditors

The European Court of Auditors (ECA) based in Luxembourg audits the EU's finances. Its members are appointed for a period of six years by the Council of Ministers. They then elect the president from amongst themselves for a period of three years. Their appointment must be approved by the European Parliament. ECA staff can conduct audits at any time in other EU institutions, member states and in countries that receive EU aid.

- The Court of Auditors regularly examines the accounts of EU institutions to ensure that their revenues and expenditure are both lawful and proper. It cannot, however, punish violations; this must be done by the competent institutions.
- The ECA prepares an annual report on the implementation of the budget. The report is always prepared by 30 November of the following year and published in the Official Journal of the European Union along with the observations made by the institutions. The report helps the European Parliament to exercise budgetary control and is the basis on which it takes the decision to discharge the Commission.



European Court of Justice (ECJ) in Luxembourg

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European Central Bank

The European Central Bank (ECB) is headquartered in Frankfurt am Main and is responsible for monetary policy in the Eurozone. The objective of ECB policies is to maintain price stability in the Eurozone, support economic growth and thereby safeguard jobs.

The ECB and the central banks of the member states form the European System of Central Banks (ESCB). Its mandate was defined in the Treaty of Maastricht in 1992 and it has formally acquired the status of an EU institution since the Treaty of Lisbon. The ECB is managed by an executive board comprising six members, who are appointed for a non-renewable term of eight years. The Executive Board is supported by the Governing Council and the General Council. The Executive Board is responsible for implementing the decisions of the Governing Council. It therefore issues instructions to the national central banks, which ultimately are responsible for implementing monetary policy.

The ECB's primary tasks are to:

- define and implement monetary policy;
- conduct foreign exchange operations;
- hold and manage the official foreign exchange reserves of the member states;
- ensure money supply in the economy, and especially to promote the smooth operation of payment systems;
- contribute to the supervision of credit institutions and the stability of the financial system.

During the Eurozone crisis the ECB took on new tasks including a bond purchase programme.

European Economic and Social Committee

The European Economic and Social Committee (EESC) is an EU body based in Brussels established to advise the European Commission, the Council of the EU and the European Parliament. The committee is composed of 353 representatives of European interest groups from EU member states who discuss and represent a range of economic, social and cultural interests. In addition, the EESC gives opinions on EU draft laws and other matters in order to place them on the political agenda. The committee thus functions as a link between EU institutions and civil society organisations and promotes dialogue between them.

Committee of the Regions

The Committee of the Regions (CoR) is an EU body based in Brussels that advises the European Commission, the Council of the EU and the European Parliament on issues concerning local and regional authorities. Its work covers fields such as the environment, education and public health. The CoR comprises 353 representatives of local and regional authorities nominated by the EU member states and appointed by the European Council for a five-year term. The Commission, the Council and the Parliament are required to consult the CoR before making decisions on matters that concern it.

European External Action Service

The European External Action Service (EEAS) shapes the diplomatic relations of the EU. It was introduced in 2010 and comprises approximately 3,700 employees coming from the European Commission, the secretariat of the Council of the EU and national diplomatic services. It is based in Brussels, and has about 140 delegations throughout the world, including the Delegation of the EU to Switzerland and Liechtenstein in Bern. The EEAS is headed by the High Representative of the EU for Foreign and Security Policy.



A pile of signed
Bilateral Agreements II

© KEYSTONE/Yoshiko Kusano

Relations between Switzerland and the EU

As a nation situated at the very heart of Europe, Switzerland's relations with the territories that surround it – the European Union and its member states – are of particular importance. Switzerland shares close economic, political and social ties with these countries. It also shares many of its values with Europe, with which it forms an area of security and freedom. In cultivating relations with the EU and its member states at every level, Switzerland is acting prudently in order to safeguard the country's own interests and secure prosperity. Relations with its immediate neighbours and their border regions as well as the EU therefore occupy a position of priority in Swiss foreign policy. One aim of Switzerland's European policy is to create the best possible basis for a permanent, mutual, thriving relationship with what is its most important economic and political partner.

With a population of more than 505 million, the EU is Switzerland's most important trading partner by far. Switzerland exports more than half of its goods to the EU, and almost three quarters of Swiss imports come from the EU. Switzerland, in turn, is an important trading partner of the EU, occupying fourth place after the United States, China and Russia. About 1.3 million people, 700,000 vehicles and 23,000 lorries cross the border between Switzerland and the EU every day.

Switzerland laid the foundations for this economic exchange in 1972 when it concluded the Free Trade Agreement with what was then the European Economic Community (EEC). The agreement exempts industrial goods originating in Switzerland and the EEC from customs duties and prohibits volume-based restrictions

on trade as well as measures with equivalent effect. The Insurance Agreement followed in 1989. Insurance companies operating in the field of direct property and casualty insurance (i.e. other than life insurance) were given the freedom to establish operations on the territory of the other contracting party.

In 1992, important decisions were taken with regard to relations between Switzerland and the EU: in May 1992, the Federal Council formally submitted a request to Brussels to commence negotiations on Switzerland's accession. In December of that year, a majority of the Swiss electorate and cantons rejected membership of the European Economic Area (EEA). The corresponding treaty would have meant full economic integration for Switzerland, thus giving it equal access to the European internal market with its four freedoms (free movement of goods, services, people and capital), however at the price of restricted participation in shaping the legislation. Switzerland had conducted the negotiations together with other member states of the European Free Trade Association (EFTA), of which it has been a founding member since 1960.

The 'No' to the EEA removed the basis for commencing negotiations for EU membership. The Federal Council decided to pursue its relations with the EU on a bilateral basis. The EU finally agreed to this course once the EEA had been established without the involvement of Switzerland. In doing so, it stressed that the agreements sought by Switzerland would only be concluded if Switzerland in turn also accepted the free movement of persons, which the EU considered crucial on the basis of its analysis of interests. Switzerland continues to

1948

European Economic Cooperation

In 1948, Switzerland joins the Organisation for European Economic Cooperation (OEEC), whose objective is to rebuild the economy and promote cooperation in post-war Europe by helping administer the Marshall Plan. It gives the European states a say in how the Marshall Plan funding is to be deployed. In September 1961, the OEEC becomes the OECD, the Organisation for Economic Cooperation and Development.

1960

Foundation of EFTA

Together with Austria, Denmark, Norway, Portugal, Sweden and the United Kingdom, Switzerland establishes the European Free Trade Association (EFTA) in Stockholm on 4 January 1960 as a counterweight to the European Economic Community (EEC). The seven members undertake to eliminate customs duties on one another's industrial products. In 2014, EFTA comprises Switzerland, Liechtenstein, Norway and Iceland, which is a candidate for EU accession.

1972

Free Trade Agreement with the EEC

In 1972, Switzerland concludes a free trade agreement with the European Economic Community under the auspices of EFTA. This abolishes import and export duties and eliminates quotas for industrial products. The agreement is approved by the people and the cantons in the popular referendum of 3 December 1972 (72.5 % of the electorate). It comes into effect on 1 January 1973.

1989

Insurance Agreement

Switzerland concludes an insurance agreement with the EEC in 1989, giving non-life insurers the freedom to establish operations in one another's territory. This means that Swiss companies providing household contents, motor vehicle, travel and liability insurance, etc. can set up and acquire agencies and branch offices in the EEC. The same applies in Switzerland for EEC companies. The agreement is approved by Parliament at the end of January 1992; it comes into force on 1 January 1993.

pursue the bilateral path to this day. The set of bilateral agreements has been continuously developed and enhanced over several decades. Overall, Switzerland and the EU have concluded around 20 main agreements and some 100 secondary agreements in several stages. Over time, the request to start negotiations on EU membership faded more and more into the background and is now considered irrelevant by both sides.

For the Federal Council, the bilateral approach is the European policy instrument that best allows Switzerland to safeguard its interests with regard to the EU. The Federal Council has repeatedly reaffirmed its commitment to the bilateral path. To safeguard what has been achieved so far while renewing and consolidating the bilateral approach, Switzerland is seeking an agreement with the EU regarding institutional matters.

Economic relations between Switzerland and the EU

Trade volume

With the accession of Bulgaria, Romania and Croatia to the EU, the population of the single European market increased to more than 505 million, making the EU even more important as a trading partner for Switzerland. Switzerland earns one in every three francs through trade with the EU. 55% of Swiss exports (2013: approx. CHF 116 billion) go to the EU, while 73% of Swiss imports come from the EU (2013: approx. CHF 135 billion), making Switzerland the second largest export market for EU products (2013).

Direct investments

The EU is Switzerland's most important partner for direct investments: Around 79% of foreign capital in Switzerland comes from the EU (2012: approx. CHF 532 billion); conversely, some 43% of Swiss direct investments abroad are in the EU (2012: approx. CHF 458 billion).

Movement of persons

Switzerland and the EU are closely interlinked not only in terms of goods and capital flows but also in terms of employment: at the end of 2013, some 444,000 Swiss nationals were living and working in the EU/EFTA member states, while more than 1,279,000 EU/EFTA citizens were living in Switzerland. More than 278,000 EU citizens are cross-border commuters.

Sources: Federal Customs Administration (FCA), Federal Statistical Office (FSO) and Swiss National Bank (SNB).

The bilateral agreements afford Switzerland and the EU member states mutual access to the markets in specific sectors. When it comes to trading with the EU, this gives Switzerland a privileged status compared with other third countries. The bilateral agreements are the basis for close cooperation in key areas such as research, security, the environment and culture. The bilateral approach thus allows a policy of openness and close cooperation between European neighbours. Examples include working together to combat fraud, the coordination of asylum policy procedures, and Switzerland's contribution to European enlargement in support of the new EU member states. At the same time, this approach also guarantees Switzerland's continued institutional independence. Conversely, as a non-member of the EU, Switzerland has no right to participate in decisions taken at EU level.

The Swiss electorate has been asked to vote on the bilateral agreements on several occasions and has always voiced its support. By adopting the initiative against mass immigration on 9 February 2014, the

1990

Agreement on the Carriage of Goods

In 1990, Switzerland signs an agreement on the carriage of goods with the European Community, which simplifies the clearance of goods through customs and coordinates cooperation at border posts. Parliament approves the agreement on 13 March 1991, and it comes into effect on 1 July 1999. The revised version comes into force on 1 January 2011.

1992

Application for membership

On 26 May 1992, the Federal Council officially submits a request to Brussels to commence negotiations on Switzerland's accession to the EC. In January 1993, the Federal Council states that Switzerland will forego the start of membership negotiations until further notice. In 2000, it reaffirms that EU membership remains a long-term goal. In its 2006 report on European policy, it further downgrades accession from a strategic objective to an option. Today, both Switzerland and the EU regard the membership application as irrelevant.

1992

'No' to the EEA

On 6 December 1992, a majority of the cantons and the electorate reject Switzerland's membership of the European Economic Area (EEA) – with 50.3% 'No' votes and a turnout of just under 79%. This makes Switzerland the only EFTA state not to have ratified the EEA agreement, which extends free trade between the EEC and EFTA. However, Switzerland does have observer status on EEA bodies.

1993

Decision to adopt bilateral path

Following the 'No' to the EEA, the Federal Council decides in 1993 to conclude sector-based agreements with the European Community instead. At the end of 1994, it launches negotiations for this bilateral course – covering the free movement of persons, technical barriers to trade, public procurement, agriculture, overland and air transport, and research.

voters and a majority of the cantons for the first time called into question a bilateral agreement – on the free movement of persons. They voted for a new immigration system. The Federal Council has three years in which to implement the new constitutional provi-

sions. The aim of the Federal Council is to continue to push ahead with current and future negotiations on the various European policy dossiers in their entirety and to coordinate these in order to achieve the best possible outcome for Switzerland.

How the bilateral agreements work

The majority of bilateral agreements between Switzerland and the EU are traditional cooperation agreements. As a rule, the contracting parties retain their independence and each is responsible for implementing and applying the agreements on its own territory. Switzerland does not transfer any legislative or other decision-making powers to a higher, supranational instance – except for air transport.

The bilateral agreements are based on mutual recognition of the equivalence of legislation, as in the case of the dismantling of technical barriers to trade, or on the full incorporation into the national legal order of the entire body of EU law ('acquis communautaire'). Examples of the latter include the Air Transport Agreement and Schengen/Dublin. However, Switzerland does not automatically adopt further amendments to these agreements. Instead, it is free to decide whether to do so – in line with its own approval procedures. In the case of Schengen/Dublin, Switzerland also has the competence to participate in shaping any new developments. Participation agreements regulate cooperation and involvement within

the scope of EU programmes, offices or agencies. Examples here include research, or participation in the EU film promotion programme and involvement in the European Environment Agency. Switzerland's participation in the research, education and MEDIA programmes came to an end in 2013. After acceptance of the popular initiative "against mass immigration", the Federal Council on the one hand approved interim measures, on the other hand Switzerland and the EU agreed on a partial association in the field of research and innovation.

The bilateral agreements also apply to any new state joining the EU, as the new member automatically adopts EU legislation, the international treaties and agreements with third countries. A new round of negotiations between Switzerland and the EU is not required, except in the case of mixed agreements, to which Switzerland, the EU and each of its member states is a party. The agreements on the free movement of persons and on the fight against fraud fall into this category.

1997

'No' to the popular initiative "EU membership negotiations before the people"

The initiative of the Lega dei ticinesi and the Swiss Democrats fails in the popular referendum of 8 June 1997, rejected by a majority of both the electorate and cantons. It is rejected by all the cantons and 74.1% of the electorate. The Federal Council would have been obliged to commence any membership negotiations only following a referendum.

1999

Bilateral Agreements I

On 21 June 1999 in Luxembourg, Switzerland and the EU sign the seven agreements in the areas of free movement of persons, technical barriers to trade, public procurement, agriculture, overland transport, air transport and research. Known as "Bilateral Agreements I", they form an overall package and are legally linked to one another. They give Switzerland gradual access to the EU internal market and facilitate the free movement of persons and participation in EU research programmes.

2000

Referendum on Bilateral Agreements I

In a referendum on 21 May 2000, Swiss voters approve the first package of bilateral agreements by 67.2% of the voters. With the exception of Schwyz and Ticino, all the cantons are in favour.

2001

'No' to popular initiative "Yes to Europe!"

On 4 March 2001, the electorate rejects the popular initiative "Yes to Europe!" with 76.8% against, thus following the recommendation of both the Federal Council and Parliament. The initiative called for the immediate commencement of negotiations on accession to the EU.

Each time the free movement of persons is extended to include a new member state, a protocol must be negotiated and ratified by all the contracting parties. In Switzerland, this protocol has to be approved by both chambers of Parliament – and also by the electorate, if a referendum is called.

The Anti-Fraud Agreement also needs to be ratified by all the EU member states before it can enter into force. As this has not yet happened, the agreement is being provisionally applied by Switzerland and those EU members that have ratified it to date.

The joint committees

The majority of agreements provide for a joint committee to oversee the functioning of the agreement in question while also providing impetus for its further development. Exceptions include the agreements on the taxation of savings income and on pensions. The joint committees serve as a platform for the exchange of information, for advice and for consultation. They also play a key role should differences of opinion arise. Decisions are made unanimously within the scope of the powers afforded by the respective agreement.

The joint committees can, for example, decide on amendments of a technical nature (such as legislative procedures, lists of authorities or products) in the annex to an agreement. Changes to the provisions of the agreement and the introduction of new obligations, on the other hand, are subject to due legislative procedure in both Switzerland and the EU. The Federal Council generally represents Switzerland on the joint committees. However, it usually delegates this authority to the competent departments and offices.

The Dublin/Schengen mixed committees (as they are known) are a special case. On the one hand, they

oversee the proper functioning of the agreements, and on the other they are directly responsible for developing the existing Schengen/Dublin legislation further. This involves a three-step procedure: the committees meet at expert, senior official and minister level. Switzerland is involved in the decision-making process but cannot vote.

Neither Switzerland nor the EU can amend the agreements unilaterally. Any changes always require the consent of both contracting parties. Automatic amendment is not possible. However, to maintain the favourable conditions for competition, timely adoption of amendments to the law generally makes sense in order to ensure homogeneous application of an agreement. Furthermore, it is mostly in the interests of both parties to avoid differences in areas such as security, health or environmental standards.

There are currently 23 joint committees and one permanent committee in place. They usually meet once a year. Switzerland and the EU have equal representation.

2002

Bilateral Agreements I come into force

The first package of bilateral agreements comes into force on 1 June 2002. It provides for transitional periods of application of several years, especially in the case of the free movement of persons. During these periods, Switzerland can manage immigration by means of quotas if necessary. In a second phase, Switzerland can invoke what is known as the safeguard clause and temporarily restrict the number of residence permits it issues when faced with above-average immigration.

2004

Extension of Bilateral Agreements I to EU-10

On 1 May 2004, Switzerland extends the first set of bilateral agreements to the ten member states (EU-10) which joined the EU at the start of the year, with the exception of the agreement on the free movement of persons, which is subject to negotiation. Parliament agrees to the renegotiated extension of the free movement of persons and the accompanying measures on 17 December 2004. However, a referendum is called.

2004

Cooperation agreement with Europol

On 24 September 2004, Switzerland signs a cooperation agreement with Europol, the EU's law enforcement agency, which comes into force on 1 March 2006. The agreement enables strategic and operational information to be exchanged in addition to specialist knowledge. Since its expansion in 2008, the agreement now covers a total of 25 areas of criminality.

2004

Bilateral Agreements II

Switzerland and the EU sign the second set of bilateral agreements on 26 October 2004, intensifying economic cooperation and extending it to include areas such as security, asylum, the environment and culture. Parliament approves the agreement on 17 December 2004. A referendum is called opposing the Schengen/Dublin Association Agreement covering travel and asylum-seekers. Unlike the first set of bilaterals, Bilateral Agreements II do not form an overall package.

First bilateral agreements

Free trade and customs

The Free Trade Agreement of 1972 with the European Economic Community (EEC), as it was known at the time, gives the Swiss export industry access to the EU market and facilitates trade with its most important market globally, consisting of around half a billion people. Thanks to the Free Trade Agreement, customs duties on industrial products such as machines, clocks and watches were progressively abolished. Quantitative restrictions on imports (quotas) and measures with an equivalent effect are forbidden. Agricultural

products listed in Chapters 1 to 24 of the Combined Nomenclature are not covered by the agreement; the rules governing these goods were set out in a separate agreement within the scope of the first set of bilateral agreements.

Switzerland and the EU therefore form a free-trade area for industrial products but, unlike a customs union, they are free to determine the external tariffs in respect of third countries. Customs inspections also continue to take place on either side of the border, partly to ensure that only goods originating in the EU or in Switzerland are able to benefit from the preferential conditions of the Free Trade Agreement. The Agreement on the Carriage of Goods of 1990 and the revised Agreement on Customs Facilitation and Security of 2009 simplify customs procedures between Switzerland and the EU and enhance the coordination of cooperation at border posts in respect of security. More than 20,000 heavy goods vehicles pass through customs checks at the Swiss border each day.

Around 55% of Swiss exports in 2013 were destined for EU countries; some 73% of imports originated from the EU area. The EU is thus Switzerland's most important trading partner by far. Switzerland, in turn, was the EU's fourth most important trading partner in 2013, after the United States, China and Russia.



Customs clearance on the Swiss border
©KEYSTONE/Andreas Eggenberger

2005

Easing of restrictions for the food industry

On 30 March 2005, the agreement on processed agricultural products comes into force. This part of the second round of bilateral agreements abolishes customs duties and export subsidies for a wide range of food products.

2005

'Yes' to Schengen/Dublin

On 5 June 2005, 54.6% of the electorate votes in favour of adopting the Schengen/Dublin agreements. They come into force on 12 December 2008. Systematic passport controls between Switzerland and its neighbouring countries become a thing of the past and cooperation is stepped up between the police and legal authorities of the EU Schengen member states. The Dublin Regulations and the Eurodac fingerprint database serve to prevent the submission of multiple applications for asylum.

2005

Taxation of Savings Agreement

The agreement on the taxation of savings comes into effect on 1 July 2005 as part of the Bilateral Agreements II. Switzerland levies a withholding tax on interest income earned by natural persons with tax domicile in an EU member state.

2005

'Yes' to extension of free movement of persons to EU-10

On 25 September 2005, the electorate votes in favour of extending the free movement of persons to the ten new EU members by a 56% majority. At the same time, the popular referendum approves the tightening-up of the accompanying measures to counter wage and social dumping. Both enter into force on 1 April 2006.

Insurance

In 1989, Switzerland concluded an agreement with the EU guaranteeing insurance companies engaged in the business of direct insurance – other than life assurance – the freedom to establish branch operations in each other's territory. Swiss household contents, motor vehicle, travel and liability insurers can thus set

up or acquire agencies and branches in the EU area on equal terms. For their part, insurance companies based in the EU have the same rights in Switzerland. Life insurers, reinsurers and insurance forming part of a statutory system of social security do not fall within the scope of the agreement. Direct cross-border non-life insurance business is also excluded.

Bilateral Agreements I

At the end of 1993, the EU declared its willingness to enter into negotiations in seven areas under the condition that the seven sector-based agreements be negotiated in parallel, and that they be signed and come into force at the same time, claiming that the different dossiers would only be in the interest of both partners if adopted as a single package. The agreements were therefore linked in legal terms by what is known as a guillotine clause. This stipulates that the agreements form an overall package and can only be enacted as such: should any one of the agreements be terminated, all the others would also cease to apply at the end of six months.

In 1999, after seven years of negotiations, Switzerland and the EU signed the package known as Bilateral Agreements I, thus putting relations and cooperation in the areas of free movement of persons, technical barriers to trade, public procurement, agriculture, overland transport, air transport and research on a sound legal footing. One year later, the Swiss elector-

ate approved the first set of bilateral agreements in a referendum by an almost two-thirds majority. They entered into force on 1 June 2002, following approval by the EU and its member states. These agreements supplemented the Free Trade Agreement of 1972, facilitating the gradual opening up of the market, a measure from which both sides continue to benefit today. The easing of trade restrictions plus enhanced competition acted as a catalyst for economic growth in Switzerland, thereby securing and creating jobs.

Swiss companies were presented with new business opportunities in markets which had previously been difficult to access, namely with regard to certain agricultural products, overland and air transport, and public procurement. For example, Swiss suppliers are able to compete under the same conditions as their European competitors in public procurement tenders for municipal utility services, waste disposal and transport infrastructure – areas in which central and Eastern Europe has a great need to modernise.

2005

'Yes' to permanent delegation of the EU in Bern

On 26 October 2005, the Federal Council gives the go-ahead for the European Union to set up a permanent delegation in Bern. The official EU representative office opens on 3 April 2007.

2006

Environment Agreement

Switzerland becomes a member of the European Environment Agency (EEA) on 1 April 2006. Switzerland's participation in the EEA is set forth in the Environment Agreement of 2004 (part of the second set of bilateral agreements). As a formal EEA member, Switzerland has access to a Europe-wide network of experts and receives information on the state of the Swiss environment compared with the rest of Europe.

2006

MEDIA film promotion programme

On 1 April 2006, the MEDIA Agreement governing Switzerland's involvement in the EU's programme for promoting film enters into force (part of the second round of bilateral agreements). Film-makers in Switzerland can thus benefit from the same promotional measures as their counterparts in the EU. However, participation needs to be renegotiated every seven years.

2006

'Yes' to enlargement contribution and aid to Eastern Europe

On 26 November 2006, 53.4% of those taking part in the referendum vote to approve the enlargement contribution and continuation of aid to Eastern Europe. The enlargement contribution allows Switzerland to support specific projects and programmes in the new EU states who joined in 2004. It is an independent contribution made by Switzerland to reduce economic and social disparities within the EU.

The removal of technical barriers to trade, i.e. simplified rules for the admission of products to the entire European market, brought direct savings. At the same time, the free movement of persons made it easier for Swiss companies to second staff to EU member states while also enabling them to recruit workers from the

EU. To prevent wage and social dumping, accompanying measures were introduced and continually expanded. These accompanying measures ensure that foreign workers in Switzerland enjoy the same working conditions as Swiss nationals.

Enlargement contribution

Switzerland makes an independent contribution to reducing economic and social disparities within the EU. In concrete terms, a total of CHF 1.257 billion has been made available for projects in the 12 'new' member states that joined the European Union in 2004 and 2007.

The enlargement contribution expresses Switzerland's sense of solidarity with the enlarged EU and is at the same time the continuation of a policy of pursuing Swiss interests in Europe. Switzerland benefits both politically and economically from the increased stability and security due to the successful integration of the new EU states. This support for the markets of Eastern Europe is an investment in partnerships with growing economic potential. Furthermore, Switzerland's contribution to the burden sharing of a share of the cost of EU enlargement is also essential for maintaining good relations with the EU and for

the continuing success of the bilateral approach to its policy on the EU.

The legal basis for Switzerland's enlargement contribution is the revised Federal Act on Cooperation with the States of Eastern Europe, which the people of Switzerland approved in a referendum in November 2006. The respective framework credit lines were authorised by both chambers of Parliament in 2007 (EU-10) and 2009 (Bulgaria and Romania) on this basis. Switzerland's intention of making an autonomous enlargement contribution and the basic arrangements for doing so had previously been set out in a Memorandum of Understanding with the EU in February 2006.

The Swiss Agency for Development and Cooperation (DEZA) and the State Secretariat for Economic Affairs (SECO) are responsible for how the funds are deployed and for providing project implementation

support through the competent national offices in Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia as well as Bulgaria and Romania. In terms of implementation, the federal offices work closely together with the partner countries in question on the basis of the bilateral framework agreement.

The Federal Council also intends to make an independent contribution of CHF 45 million to Croatia, which has been an EU member since July 2013. Through this contribution, it aims to extend the same treatment to Croatia as to the other countries that have joined the EU since 2004.

2007

Statistics Agreement

The agreement on statistics comes into force as part of the second round of bilateral agreements on 1 January 2007, harmonising the gathering of statistical data between Switzerland and the EU and thus affording access to large amount of comparable data that can be used as input for political and economic decision-making.

2007

Full right to free movement of persons for EU-17

As of 1 June 2007, the full right to the free movement of persons applies to the 15 "old" EU members along with Malta and Cyprus. As agreed in the first set of bilateral agreements, Switzerland does away with quotas on expiry of the transitional period. Swiss nationals and EU citizens from these states are treated equally and given a residence permit if they have a valid employment contract, are self-employed or can prove sufficient financial means, and hold health insurance.

2007

Framework credit line for EU-10

On 14 June 2007, Parliament approves a framework credit facility of CHF 1 billion for the ten states that joined the EU in 2004 (EU-10). In doing so, Switzerland is making an independent contribution to reducing economic and social disparities within the EU. On 20 December 2007, Switzerland signs the related bilateral framework agreement with each of these states.

2008

Schengen/Dublin becomes operational

Operational cooperation with the EU under the Schengen/Dublin Agreement begins on 12 December 2008 in the fields of security, issuing and recognising visas plus asylum. Citizens of third countries can enter Switzerland with a Schengen visa if they wish and Switzerland now issues Schengen visas. At the same time, Switzerland is able to hand over asylum-seekers to Dublin members if that is where they first entered Europe.

Agriculture

As far as agricultural products are concerned, it is worth noting that the trade in cheese has been completely liberalised since 2007. Cheese can now be imported and exported free of customs duties and with no restrictions on quantities. Studies show that the mutual opening up of the trade in cheese between Switzerland and the EU has boosted both quality and innovation in the Swiss cheese industry, resulted in greater exports, maintained the positive balance of trade despite the higher number of imports and made a greater variety of products available to Swiss consumers. In the case of fruit, vegetables, wine, meat and horticultural products, import and export restrictions have been partially eased.

Maturation cellar for alpine cheese

© KEYSTONE/imageBROKER/
Martin Siepmann

Switzerland and the EU recognise the equivalence of the rules, standards and procedures for various agricultural products, and in the areas of plant health,



organic agriculture and animal health, thus also enabling non-tariff barriers to trade (differing product and approval requirements) to be eliminated. At the end of 2006, the equivalence of veterinary standards and requirements for all foodstuffs of animal origin, animal by-products and animal-health measures were recognised. At the beginning of 2009, reciprocal veterinary border checks were abolished.

Since December 2011, Switzerland and the EU have further agreed to mutually recognise protected designations of origin and geographical indications of agricultural products and foodstuffs. Products with a protected designation of origin (PDI) or protected geographical indication (PGI) are thus protected throughout the EU from being forged or copied and from unauthorised use of the name. These include names such as Bündnerfleisch, Tête de Moine and Munder Safran. These regulations are based on the Agricultural Products Agreement, including the Veterinary Annex, which was concluded as part of the Bilateral Agreements I package in 1999 and entered into force in 2002. They continue to be developed on a regular basis and have room for expansion.

In 2013, 62% of Switzerland's agricultural exports went to the EU, totalling CHF 5.5 billion. Conversely, 75% of the country's agricultural imports came from the EU, totalling CHF 8.7 billion. Of these figures, exports totalling CHF 4.2 billion and imports totalling CHF 2.6 billion are generated by the trade in processed agricultural products (see p. 37).

2009

'Yes' to extension of free movement of persons to EU-2

In a referendum held on 8 February 2009, the electorate decides to extend the free movement of persons to Bulgaria and Romania, with 59.6% in favour. The transitional period runs until the end of May 2016. The safeguard clause can be invoked until 31 May 2019.

2009

Early application of the Agreement on the fight against fraud

On 8 April 2009, Switzerland starts applying the Agreement on the fight against fraud of 2004 (part of the Bilateral Agreements II) ahead of schedule in respect of those EU member states that have also ratified the agreement and issued a declaration on early application.

2009

'Yes' to biometric data in Swiss passport

On 17 May 2009, 50.1% of the voters say 'Yes' to the introduction of electronically stored biometric data in Swiss passports and travel documents for foreigners. This move brings Swiss passports in line with the standards that are binding on Schengen members. A referendum had been called against this new development in the Schengen acquis.

2009

Framework credit line for Bulgaria and Romania

On 7 December 2009, Parliament approves a framework credit facility of CHF 257 million for Bulgaria and Romania, the two states that joined the EU in 2007 (EU-2). In doing so, Switzerland is making a further independent contribution to reducing economic and social disparities within the EU. On 7 September 2010, Switzerland signs the related bilateral framework agreement with each of these two states.

Free movement of persons

Swiss nationals are free to choose where to live and work within the EU, and EU citizens are entitled to do the same in Switzerland. To enjoy this right of residence, Swiss and EU citizens must have health and accident insurance and be in possession of a valid employment contract, or if self-employed or not in gainful employment, they must have sufficient financial means to support themselves. These arrangements are based on the Free Movement of Persons Agreement, which is part of the first set of bilateral agreements.

The agreement governs the mutual recognition of professional diplomas and the coordination of the national social security systems. It also deals with the right of immigrants to be joined by members of their family and liberalises the status of cross-border workers, who no longer have to return to their home territory each day. Finally, the agreement allows the cross-border provision of services for a maximum of 90 days per year. With each enlargement of the EU, the free movement of persons and transitional periods for application have to be negotiated specifically for the new EU states in question.

The free movement of persons has made it easier for Swiss companies to recruit labour from within the EU by cutting through red tape. In addition, they can now send their own employees to the EU on secondment for up to three months to perform tasks such as machine assembly or maintenance. In Switzerland, the

free movement of persons is accompanied by a series of supporting measures – the so called accompanying measures – to help prevent wage and social dumping. These are intended to protect workers against unfair wage and employment conditions.

At the end of 2013, around 444,000 Swiss nationals were registered in the EU/EFTA area, with more than three quarters of these residing in France, Germany, Italy and Austria. In turn, some 1,279,000 EU/EFTA citizens lived in Switzerland.

Extension of the free movement of persons

Both chambers of the Swiss Parliament – the National Council and the Council of States – linked the extension of the free movement of persons to include the ten states (EU-10) that joined the EU in 2004 to a revision of the accompanying measures intended to protect workers from social and wage dumping on the Swiss labour market. A referendum was called, and in September 2005 the electorate approved the corresponding protocol on the extension of the free movement of persons together with the federal decree on tighter accompanying measures, both of which came into force on 1 April 2006. Following the admission to the EU of Bulgaria and Romania in 2007, a gradual opening of the free movement of persons to include these two new EU states was also negotiated. The protocol in question contains similar transitional provisions to that of the EU-10 and was also approved by the Swiss people when put to the vote in a national referendum.

2010

Education Agreement

Switzerland and the EU sign the Education Agreement on 15 February 2010. It gives Swiss citizens equal access to the EU's education, VET and youth programmes. Switzerland is required to negotiate a new agreement with the EU for each of the seven-year programmes in which it participates.

2010

Product safety and Cassis de Dijon principle

New legislation on product safety and a law on technical trade barriers come into force on 1 July 2010. Both facilitate trade with the EU, firstly by harmonising the rules on product safety and secondly, by introducing the "Cassis de Dijon" principle: products manufactured in the EU in compliance with the applicable norms can generally also be sold in Switzerland without undergoing new checks.

2011

Mutual recognition of designations of origin

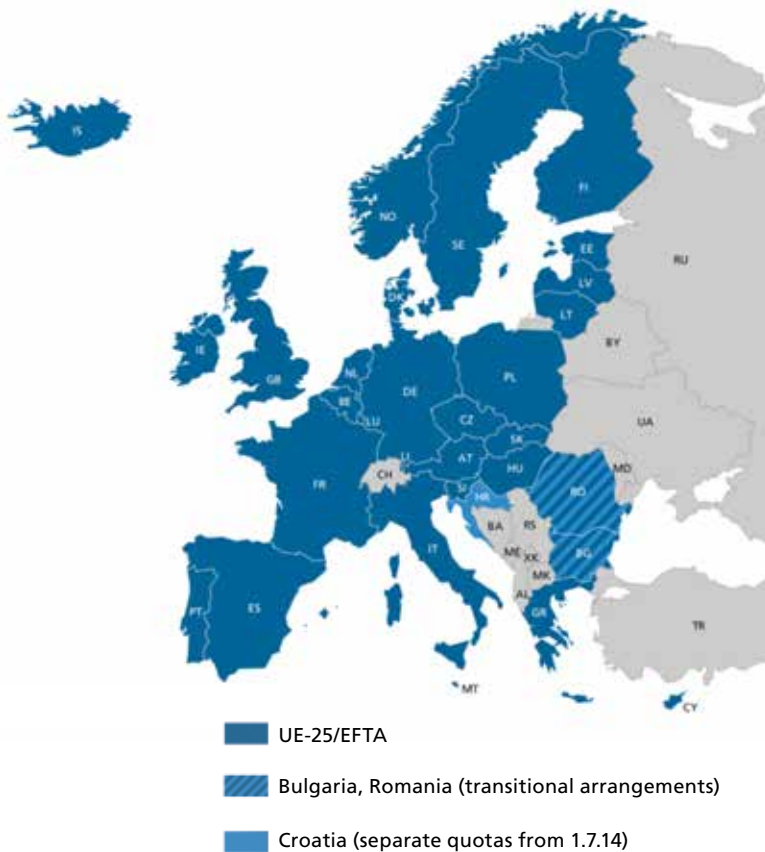
On 17 May 2011, Switzerland and the EU sign the bilateral agreement on the protection of geographical indications of agricultural products. They undertake to mutually recognise the protected designations of origin and geographical indications of agricultural products and foodstuffs. The agreement enters into force on 1 December 2011, since when it has been a new component of the existing Agricultural Agreement (Bilateral Agreements I).

2012

European Defence Agency (EDA)

On 16 March 2012, Switzerland signs the agreement on cooperation in the field of armaments with the European Defence Agency (EDA). This agreement, which is not legally binding, enables Switzerland to detect armaments-policy developments at an early stage and opens the door to armaments cooperation in Europe on a multilateral basis, primarily in research and development, as well as procurement and maintenance.

Area of application of the free movement of persons



A similar procedure was initiated to prepare for Croatia's entry to the EU. However, as a result of the "yes" to the initiative against mass immigration on 9 February 2014, the corresponding Protocol could not be signed as planned because the vote had created a constitutional provision prohibiting the conclusion of international treaties that do not provide for quotas on immigration. Subsequently, the Federal Council decided to introduce separate quotas for Croatian citizens as of 1 July 2014 by means of an ordinance governing the admission of third country nationals to the Swiss labour market. These are the same quotas that would have been granted between the time the Protocol was signed and its implementation, consisting of 50 one-year category B residence permits and 450 category L short-term permits.

Abolition of technical barriers to trade

Swiss products can be marketed within the EU without requiring additional authorisation provided there is mutual recognition of the conformity assessment for the product sector in question. Companies based in Switzerland can have such tests performed by a Swiss conformity assessment body. If the product satisfies the applicable requirements – in relation to safety, for example – it can be brought to market in the EU. This arrangement works the other way round for products authorised in the EU.

All this was made possible by the "Mutual Recognition Agreement" (MRA), an agreement on the dismantling of technical barriers to trade, which is part

2012

Safeguard clause for EU-8

On 18 April 2012, due to above-average immigration the Federal Council invokes the safeguard clause in respect of the eight Eastern European states that joined the EU in 2004. Restrictions are placed on residence permits to citizens of these EU countries for one year. Twelve months later, this measure is extended for a further year. As of 30 April 2014, it is no longer possible to extend these restrictions for the EU-8.

2013

Competition Agreement

Switzerland and the EU sign the Competition Agreement on 17 May 2013. In strengthening cooperation, the two parties want to efficiently enforce competition rules in cross-border matters. The National Council and the Council of States approve the agreement in 2014.

2013

Safeguard clause for EU-17

On 24 April 2013, the Federal Council decides to invoke the safeguard clause as of 1 June also in respect of the EU-17: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. Under the terms of the Free Movement Agreement, quotas for residence permits can no longer be introduced as of 31 May 2014.

2013

Extension of free movement of persons to Croatia

At the end of August 2013, the Federal Council presents Protocol III, the result of negotiations on the gradual extension of the free movement of persons to Croatia. Following the adoption of the initiative against mass immigration, the Federal Council is unable to sign Protocol III as planned. It decides to introduce separate quotas for Croatian citizens as of 1 July 2014 by means of an ordinance governing the admission of third country nationals to the Swiss labour market.

of the Bilateral Agreements I package and applies to most industrial products. Eliminating the need for a second conformity assessment has given Swiss companies access to the EU market on an equal footing with their European peers. The MRA both lowers costs and saves companies time in marketing their products throughout Europe.

The agreement leaves room for development and now covers 20 product sectors (including medical devices, machinery, biocides and construction equipment).

Medicinal products from Switzerland
© KEYSTONE/Martin Ruetschi



Public procurement

Under the provisions of the WTO Agreement on Government Procurement (GPA), public-sector entities are required to put contracts that exceed a specified minimum threshold out to tender. Consequently, Swiss companies enjoy equal rights in competing for public tenders in the states which are party to the GPA, including the EU, while businesses from these countries can also take part in Swiss public tender procedures.

The Public Procurement Agreement with the EU, which forms part of the first round of bilateral agreements, broadens the scope of application of the GPA. In concrete terms, it enables companies based in Switzerland and the 28 EU member states to also submit tenders for procurement contracts issued by municipalities, districts and public enterprises for rail transport and the supply of energy. In addition, the agreement also gives companies on both sides access to tenders awarded in certain sectors (water, electricity, local transport, inland and maritime navigation, and airports) by private companies which operate on the basis of exclusive rights. The agreement thus gives Swiss companies improved access to an EU market worth billions. At the same time, it results in fiercer competition on the Swiss procurement market, which ultimately enables savings in taxpayers' money.

2013

Satellite navigation

The Federal Council approves the cooperation agreement with the EU on Switzerland's participation in the European satellite navigation programmes, Galileo and EGNOS, on 13 December 2013. The two programmes are designed to end Europe's de facto dependence on US GPS and ensure the availability of data both in times of peace and in periods of crisis. The agreement applies provisionally as of 1 January 2014.

2013

Mandate to negotiate institutional questions

On 18 December 2013, the Federal Council approves the negotiation mandate with the EU on institutional matters. These include the homogeneity of the application and interpretation of the provisions in bilateral agreements, legislative developments, the supervision of the application of the bilateral agreements, and dispute settlement.

2014

Negotiations on the taxation of savings income commence

On 17 January 2014, Switzerland and the EU commence official negotiations on revising the Taxation of Savings Income Agreement. The changes are intended to close loopholes in order to prevent the taxation of savings income from being circumvented by the use of intermediary companies or certain financial instruments.

2014

'Yes' to popular initiative "Against mass immigration"

On 9 February 2014, 50.3% of the electorate and a majority of the cantons vote in favour of the popular initiative. In accordance with the new constitutional provisions, the immigration of foreign labour must be controlled by means of quotas. The Federal Council has three years in which to renegotiate and amend the Agreement on the Free Movement of Persons with the EU.

Research

From 2004, Switzerland was involved in the EU's research and EURATOM programmes as an associate country and therefore as an equal partner, with all of the rights and obligations that status entails. Switzerland and the EU negotiated a bilateral agreement on participation in the Framework Programmes, each of which generally runs for a period of several years. The 1999 Research Agreement, concluded within the scope of Bilateral Agreements I, provided the legal basis.

Scientists at the Swiss Federal Institute of Technology (EPFL) in Lausanne
©KEYSTONE/Laurent Gillieron

Associate status additionally entitled Switzerland to representation on the project committees for specific programmes and on various steering committees, thereby strengthening the position of Swiss re-

search institutions within European networks. It not only gave them direct access to information but also meant they could be involved in implementing the current programmes and in shaping future EU Framework Programmes.

Switzerland benefited as a knowledge hub from the full involvement of Swiss universities, companies and individuals on an equal footing. These benefits were not confined to the fields of science, technology and innovation: participation in the programmes also proved to be of interest to the private sector. As experience to date has shown, more than 100% of the monies invested by Switzerland in research funding flowed back into the country in the form of grants for Swiss research projects. It goes without saying that participation in these programmes, which are run from Brussels, is therefore one of the priorities of Swiss science policy.

On 1 January 2014, calls for proposals were launched for the newest, eighth-generation EU Framework Programme for Research and Innovation "Horizon 2020", with an overall budget totalling around EUR 80 billion. The programmes are funded by the EU member states through the regular budget, while twelve associate countries additionally provide contributions in line with their gross domestic product.

After the acceptance of the popular initiative "against mass immigration", Switzerland and the EU agreed on a partial association in the field of research and innovation until the end of 2016.



2014

Framework credit line for Croatia

On 28 May 2014 the Federal Council forwards to Parliament its dispatch to approve a framework credit for an enlargement contribution of CHF 45 million for Croatia. By making this contribution, it aims to extend the same treatment to Croatia as to the other countries that have joined the EU since 2004. However, as with earlier EU expansions, the final decision on the framework credit facility ultimately lies with Parliament.

2014

End of the safeguard clause for EU-8 and EU-17

The labour market restrictions introduced by the safeguard clause expire on 30 April 2014 for the EU-8 and on 31 May for the EU-17 and cannot be extended.

2014

European Asylum Support Office (EASO)

On 10 June 2014, Switzerland and the EU sign an agreement on Switzerland's participation in the European Asylum Support Office (EASO). EASO supports member states of the Dublin system, which are under particular pressure in asylum matters.

2014

Implementation concept for immigration

On 20 June 2014 the Federal Council adopts the concept to implement the new constitutional articles on immigration. It sets out how immigration in Switzerland will be capped and subject to a system of quotas until February 2017.

Overland transport

The Overland Transport Agreement opens up the market for the transport of persons and goods by road and rail between Switzerland and the European Union. At the same time, it provides a contractual basis for the introduction of a heavy goods vehicle charge (HGVC) linked to the kilometres covered and for that charge to be gradually increased. Since its introduction in 2001, the HGVC has helped finance the development of the railway infrastructure in Switzerland and become an important instrument in transferring the transport of goods from road to rail. In accepting the Overland Transport Agreement, the EU officially recognised this aspect of Swiss transport policy. In exchange Switzerland has accepted the gradual increase in weight limits for heavy vehicles from 28 to 40 tonnes (since 2005).

The aim of the Overland Transport Agreement is to create comparable market access and competition conditions for road and rail transport companies in Switzerland and the EU. To this end, the professional requirements for admission to the occupation of road transport driver and the respective social legislation have been harmonised to a large extent along with the technical standards and weight limits of heavy goods vehicles. In relation to road transport, the Agreement on Overland Transport liberalises the whole market, i.e. the carriage of both passengers and goods, in Switzerland and the 28 EU member states.

On the basis of the agreement, Swiss transport operators can convey goods from one EU state to another ("Swiss home trade"), for example. The only area of the market excluded from liberalisation is that of transport between two points in the same country, e.g. from Paris to Nice or from Bern to Zurich, by a company not registered in that country. Railway operators enjoy improved access to one another's rail networks in terms of freight transport. This particularly benefits companies which combine international road and rail transport (heavy goods vehicles or containers that are loaded onto the train).

Air transport

Thanks to the Air Transport Agreement, Swiss airlines now compete with EU carriers on an almost equal footing. The agreement enables Swiss airlines to fly to their chosen destinations as often as they like and using any size of aircraft, thus increasing fleet capacity utilisation and reducing costs. Furthermore, the airlines are free to set their own fares. For passengers, this means lower prices and a greater choice of flight connections.

The Air Transport Agreement also forms the basis for Switzerland's involvement in the European Aviation Safety Agency (EASA). Among other things, the agency is responsible for licensing aircraft and monitoring technical standards. Switzerland is also involved in the creation of the Single European Sky (SES). The aim of the SES is to make air traffic control more efficient by defining airspace on the basis of actual traffic flows and no longer on the basis of national borders. Together with Belgium, France, Germany, Luxembourg and the Netherlands, Switzerland is also involved in the creation of the Functional Airspace Block Europe Central (FABEC).

2014

Understanding on business taxation

On 1 July 2014 Switzerland and the EU initial a mutual understanding on business taxation. This brings an end to a dispute that has strained relations between the two parties for almost a decade.

Bilateral Agreements II

In mid-2002, Switzerland and the EU began a new round of negotiations in ten sectors which not only covered further economic interests, such as in the food industry, tourism and the financial centre, but also extended cooperation between the two parties to important new political areas including security, asylum and the environment. Switzerland insisted that the agreements be concluded simultaneously, but also cooperated with the EU on the cross-border taxation of savings income and extended its cooperation in the fight against fraud to include indirect taxes. In March 2003, despite the joint declaration of intent attached to the first package of bilateral agreements, both parties agreed to abandon efforts to conclude a comprehensive agreement on services as the large number of unresolved questions made it highly unlikely that a resolution could be reached any time soon.

In autumn 2004, Switzerland and the EU signed the series of Bilateral Agreements II. Unlike Bilateral Agreements I, the second set of bilateral agreements is not legally linked to one another – each can take effect independently of the others in accordance with the respective provisions. A referendum was called against the Schengen/Dublin Association Agreement, which governs border checks on individuals and cooperation in relation to asylum seekers. The electorate approved the agreement in June 2005 by a 54.6% majority.

Apart from the Anti-Fraud Agreement, which was enacted ahead of schedule by Switzerland and the other EU member states with the exception of Ireland and Croatia, the Bilateral Agreements II are now all formally in force. In addition to Schengen/Dublin, the agreements cover the taxation of savings income, processed agricultural products, the environment, statistics, film promotion (MEDIA) and pensions. A declaration of intent was signed for the education sector. The corresponding agreement on Switzerland's participation in the EU education programmes was signed in February 2010.

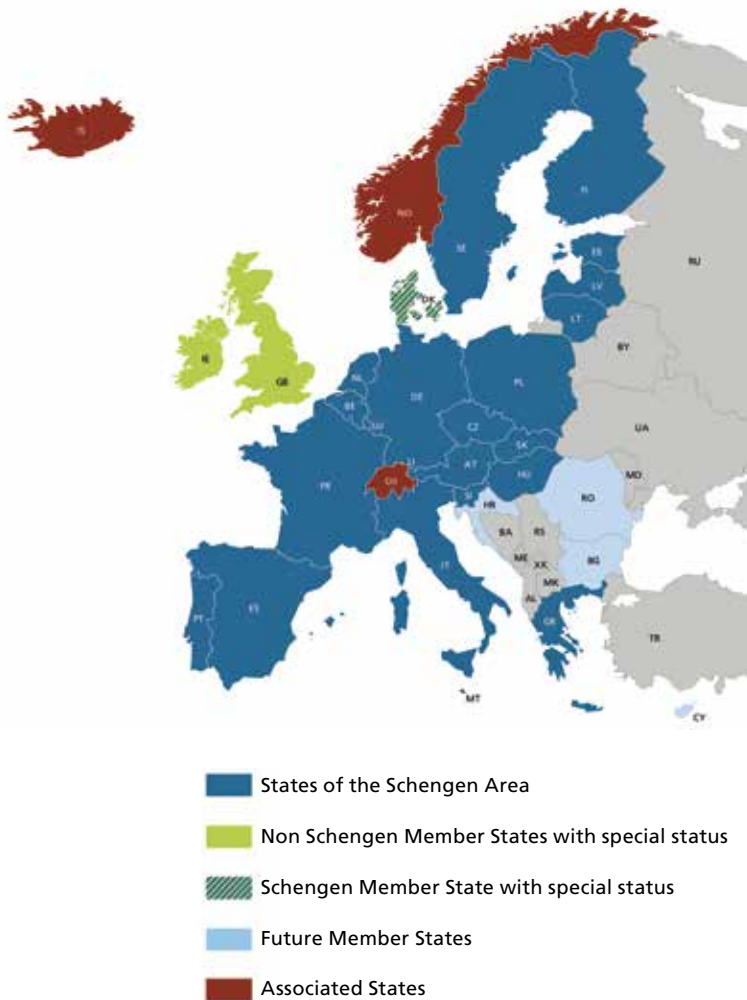
Schengen

In 2004, Switzerland and the EU concluded the Schengen Association Agreement as part of the Bilateral Agreements II in order to facilitate travel. The majority of EU members (with the exception of the United Kingdom, Ireland, Cyprus, Romania, Bulgaria and Croatia) make up the Schengen area, alongside EFTA members Switzerland, Norway, Iceland and the Principality of Liechtenstein, which participate as associate members. These states no longer conduct systematic checks on persons crossing their common borders. In contrast, the external borders are more tightly controlled. At the same time, visas issued by Switzerland for third-country nationals are valid for the entire Schengen area and vice versa. Goods entering Switzerland, on the other hand, must be declared and cleared through customs.

To ensure that the easing of restrictions on travel does not come at the expense of security, Switzerland cooperates closely with the EU in the fight against organised crime, among other things by taking part in the Schengen Information System (SIS), a Europe-wide data base whose second version, SIS II, has been in operation since April 2013. At the touch of a button, the Swiss authorities have access to a Europe-wide register of persons who are wanted or missing or who are to be refused entry to the country, as well as details of stolen goods such as cars and passports, etc. In addition, border guards carry out random checks in areas close to the border and further inland. At the same time, cooperation in justice matters has been stepped up – in relation to extraditions and the implementation of criminal sentences, for example.

The simplified visa procedure benefits tourism, as groups from Asia, India and overseas can now include Switzerland in their tour of Europe at no extra cost and without requiring an additional visa. But citizens from third countries who live in Switzerland also gain: when returning home on holiday, for example, they no longer require a transit visa if their journey crosses EU territory.

Schengen Area



When it comes to the further development of the Schengen acquis, Switzerland participates in discussions but, as an associate country, is not entitled to take part in voting. If new Schengen-related legal acts are introduced, Switzerland is free to decide whether or not to adopt these. Depending on the importance of these legal instruments, that decision rests with the Federal Council or Parliament – or with the Swiss electorate, if a referendum is required. One such example is the introduction of the biometric pass, which was approved by voters in 2009. If Switzerland decides not to adopt a legal act, it must seek to come to a resolution with the EU within 90 days. If this is not possible, the agreement will cease to apply three months later. Owing to the links between the two agreements, this would also mean automatic termination of the Dublin Agreement.

Dublin

The Dublin Agreement, determining which state is responsible for the handling of asylum applications, is legally tied to Schengen. The aim of Dublin is to make the country that a person first arrived in solely responsible for assessing any application for asylum, thereby preventing asylum seekers from submitting more than one application. Asylum seekers whose application has been legally rejected by Switzerland or another Dublin state cannot submit a second application in either of these territories. Switzerland joined Dublin in 2004 – within the scope of the second series of bilateral agreements – as an associate member.

The “Dublin criteria” determine which state is responsible for handling a given application for asylum. In the first instance, responsibility lies with the country in which family members are already living, or with the country that issued a residence document or visa to the asylum seeker, or with the country that the asylum seeker entered illegally. If it is not possible to ascertain which country is responsible on the basis of these criteria, responsibility lies with the country in which the individual in question first lodged an asylum application (first asylum country). The latter must then take charge of the asylum procedure. If a negative decision is reached and the asylum seeker subsequently lodges a new application in another state, that country is not obliged to re-examine the case but can instead send the person concerned back to the first asylum country.

All Dublin member states have access to the Eurodac database, in which the fingerprints of all asylum seekers throughout Europe are stored. This makes it possible to determine with a minimum of red tape whether an asylum application has already been submitted in another Dublin member state. If so, the asylum seeker can be referred back there.

Switzerland participates in discussions on the further development of Dublin. It is free to decide whether or not to adopt new legal acts. Should it refuse to do so, Switzerland and the EU have 90 days in which to come up with a solution under the auspices of the Mixed Committee. If agreement cannot be reached, the Dublin Association Agreement will be terminated at the end of three months.

Taxation of savings

Switzerland supports international efforts to tax cross-border investment income appropriately. Interest payments made to taxpayers who are resident in an EU member state should be properly taxed, even when this income was generated in a third country such as Switzerland. For this reason, Switzerland concluded an agreement on the taxation of savings income in the form of interest payments with the EU in 2004 as part of the Bilateral Agreements II.

The Swiss paying agents (which include banks) retain 35% of the interest income earned in Switzerland by natural persons liable for taxation in an EU member state as a form of anonymous retention or withholding tax. Alternatively, persons receiving interest can avoid a retention of this kind by expressly agreeing that interest payments be disclosed to the tax authorities in their country of residence.

75% of the tax withheld is transferred to the tax domicile of the customer. The balance remains in Switzerland and is distributed between the Confederation (90%) and the cantons (10%). The gross revenue from this retention amounted to CHF 510.1 million in the 2013 fiscal year. CHF 382.6 million of this amount was transferred to the EU member states. In addition, approximately 98,000 people made use of the voluntary disclosure option to report the interest income to their country of residence in 2013.

In May 2013, the Council of EU Finance Ministers (Ecofin) adopted a mandate giving the EU Commission the go-ahead to negotiate a revision of the existing taxation of savings income agreement with Switzerland. The agreement shall be adapted to the (then not yet adopted) revision of the EU Savings Tax Directive to close loopholes. International developments – particularly in relation to the AIA standard – shall also be taken into account.

Switzerland first indicated its willingness to discuss a revision of the agreement back in 2009. Once the competent parliamentary committees and the cantons had been consulted, the Federal Council adopted the mandate to enter into negotiations on the Taxation of Savings Income Agreement on 18 December 2013. Negotiations began in mid-January 2014. The international development of a global standard for the automatic exchange of information will have to be considered.

Fight against fraud

Switzerland and the EU work together closely in combating smuggling and other offences in relation to indirect taxation (e.g. customs duties, value added tax, consumer tax), as well as in the context of subsidies and public procurement markets. This cooperation is based on the Anti-Fraud Agreement of 2004, which was concluded within the scope of Bilateral Agreements II and is being provisionally applied by Switzerland and all those EU member states that ratified it. The agreement has still to be ratified by Ireland and Croatia, which became a new member in 2013.

The agreement covers both administrative and legal assistance. When providing administrative assistance to the EU authorities for the purpose of combating fraud, Switzerland puts the same legal instruments at their disposal as it would itself use in Swiss proceedings, including coercive measures. Examples of the latter include house searches, confiscation, questioning of witnesses and access to bank accounts. They are taken only if the offence is punishable in both Switzerland and the EU, and require a search warrant to be issued by the courts. In addition, the amount involved must exceed EUR 25,000.

Judicial assistance is also provided in the case of money laundering offences committed in the EU, specifically for assets that originate from serious tax fraud or professional smuggling. The Swiss definition of money laundering remains unchanged and no new reporting obligations will arise.

Processed agricultural products

The food industry benefits from the agreement on processed agricultural products (Protocol 2 to the Free Trade Agreement between Switzerland and the EU of 1972). The latter was revised as part of the second set of bilateral agreements and sets out price compensation measures for processed agricultural products such as chocolate, biscuits, baked goods and pasta. Since the amended Protocol 2 came into effect in 2005, the EU has no longer imposed duties on imports or subsidised its exports of these particular products. In return, Switzerland has reduced its duties and export subsidies to the equivalent of the difference in price between Switzerland and the EU for the raw materials used. Customs duties on the industrial processing component have been completely abolished.

This has allowed the food industry to boost its competitiveness, while continuing to use domestic basic agricultural products. At the same time, it creates additional sales opportunities for agriculture as a supplier of raw materials.

Audiovisual field (MEDIA)

Swiss film-makers and their EU counterparts benefit from European film promotion measures aimed at supporting the development, distribution and marketing of European films, as well as promoting the training of professionals and making it easier for European films to be screened at film festivals. Switzerland's participation in the EU promotion programmes in the audiovisual field was based on the MEDIA agreement of 2004, concluded as part of the second-generation bilateral agreements.

The programmes run for seven years at a time and, as with all the other participation agreements, Switzerland is required to renew its involvement for each programme period by means of a new bilateral agreement. The MEDIA 2007 programme, which ran from 2007 to 2013, had a total budget of EUR 755 million. Switzerland's contribution came to around CHF 59 million overall. Swiss film-makers benefited from EU support at an average of approximately CHF 5 million per year.

Now, every second European film shown in cinemas has been developed or distributed thanks to support from the EU. Taking part in the MEDIA programmes boosts the chances of Swiss productions being released abroad. At the same time, more European films are finding their way onto Swiss screens.

Since the start of 2014, the MEDIA programme has been a component of "Creative Europe", the EU's programme for the promotion of culture. The MEDIA Agreement for 2007-2013 expired at the end of December 2013 and was intended to be renewed for the period 2014-2020. In the wake of the adoption of the popular initiative against mass immigration on 9 February 2014, the EU had temporarily put the talks on hold. On 7 March 2014, the Federal Council agreed to a transitional solution intended to compensate for the loss of monies from the MEDIA film promotion programme by providing funding in the magnitude of CHF 5 million. This should ensure the continuation of projects that are already underway and make it possible for Switzerland to rejoin the MEDIA programme at a later date. Talks with the EU are underway.

Culture

As with the MEDIA film promotion programme, the cultural promotion programme "Culture" is part of the EU's new framework programme known as "Creative Europe" as of January 2014. The goal of the "Culture" programme is to promote cultural and linguistic diversity and to increase the competitiveness of the cultural and creative sectors. It offers those working in the field of culture the chance to disseminate their work beyond national borders by helping them to network at the European level through participation in platforms for the promotion of culture. The programme has a budget of EUR 453 million for 2014-2020.

Switzerland is seeking to participate in the "Culture" programme. In so doing, Swiss artists and cultural organisations would be able to benefit from the same conditions set by the promotional measures as those in any other EU member state. Artists and cultural organisations can apply directly to the European Commission for funding. Switzerland would also make a financial contribution to the EU "Culture" programme.

The environment

Switzerland is a member of the European Environment Agency (EEA). The Copenhagen-based agency collects and analyses environmental and climate data according to common, binding criteria. Alongside the EU states, Switzerland, Liechtenstein, Norway, Iceland and Turkey are also members of the EEA. Switzerland's membership is based on the Environment Agreement of 2004, which falls within the scope of Bilateral Agreements II.

As an EEA member, Switzerland also has access to all the data and information shared through the EIONET observation network. The EEA member states supply the network with data on climate change, water and air pollution, soil contamination, waste disposal and the diversity of flora and fauna. The data from Switzerland serves as input for publications by EUROSTAT, the EU's statistical office.

Swiss universities, private companies and organisations can take part in the agency's research programmes and apply for funding.



Smog alert in London, April 2014

©AP Photo/Kirsty Wigglesworth

Statistics

Thanks to the 2004 Agreement on Cooperation in the Field of Statistics, part of the second series of bilateral agreements, Switzerland has access to pan-European statistical data and even appears in EU statistics itself, thus improving its visibility. The agreement harmonised the methods of data collection applied by Switzerland and the EU, thus also making the data more comparable. This is important for Switzerland in terms of traffic policy, for example, or of competing internationally as a business location. The extent, structure and development of employment, unemployment and poverty can be compared across Europe.

The individual states are responsible for gathering the data. They verify and analyse the body of data before sending it to EUROSTAT, the EU's statistical office in Luxembourg. Alongside Switzerland, other non-EU members such as Liechtenstein, Iceland and Norway as well as various Mediterranean countries and other partner nations take part in EUROSTAT.

Switzerland contributes CHF 6 million a year to EUROSTAT. It takes part in the EU training programme for statisticians. In addition, universities and the Swiss Federal Statistical Office (FSO) can participate in European research programmes in the field of statistics.

Pensions

Retired EU officials living in Switzerland pay tax only once. The EU deducts tax at source from their pensions; for its part, Switzerland then exempts such pensions from taxation. This procedure was introduced by the 2004 Agreement on pensions, which fell under the scope of the second set of bilateral agreements, thus putting an end to the discriminating practice of double taxation. The agreement affects former officials of various EU bodies or agencies who now live in Switzerland.

Further bilateral agreements

Education, vocational training and youth

In the early 1990s, Switzerland had officially taken part in two EU education programmes. When new programmes were launched in 1995, such participation was no longer possible as a result of the country's 'No' vote on EEA membership in 1992 and Switzerland subsequently took part in the EU programmes on a project basis. The signing of the Education Agreement between Switzerland and the EU in 2010 enabled Switzerland to participate fully in the EU's education, vocational training (VET) and youth programmes from 2011 until the end of 2013. As a result, Swiss nationals gained equal access to all of the mobility and cooperation projects covered by these programmes. Specific involvement in each of the programmes is renegotiated at the end of seven years.

Young people from Switzerland could spend a semester at an educational institution in the EU, gain work experience or take part in extra-curricular activities, while their European counterparts could do the same in Switzerland. In 2013, some 7,000 young Swiss nationals took advantage of these opportunities. Schools in the compulsory education system, universities and institutions providing vocational or professional education and training in Switzerland could submit project proposals and coordinate projects. In addition, Switzerland had a say in the strategic planning of programmes through its involvement in the relevant bodies.

The "Erasmus+" programme for the period 2014 – 2020 has three main areas of focus

- Learning mobility: study abroad, apprenticeships or traineeships with a host company, volunteering or group exchanges between young people, continuing professional development and teaching activities at partner institutions for teaching professionals.
- Strategic partnerships: promotion of partnerships between educational institutions, local and regional authorities, social partners and youth organisations, class exchanges, study seminars and extra-curricular cooperation, innovation transfer for educational establishments.
- Support for policy reforms: continuing education and studies, establishment of networks and pilot projects initially for decision-makers at all levels in order to improve the quality of the evidence base and transparency in education and training systems.

Participation in the EU education programmes is a key element in Switzerland's international strategy as a location for education, research and innovation. In December 2013, the Swiss parliament approved the Federal Council's proposal to contribute CHF 305.5 million in funding to "Erasmus+". Following the adoption of the initiative against mass immigration however, this agreement has not yet been concluded. On 16 April 2014, the Federal Council approved an interim solution for 2014 and decided a two-year prolongation on 19 September 2014. The interim solution gives priority to mobility and is based on the principle that Switzerland still wishes to rejoin "Erasmus+" as a fully associated country at a later date.

A discussion
between students
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Alix Minde



Europol

Switzerland and the EU cooperate closely in preventing and combating serious and organised forms of international crime and terrorism on the basis of a 2004 agreement that was concluded as part of the second set of bilaterals. The cooperation agreement with EUROPOL, the EU's law enforcement agency, facilitates cross-border cooperation between police authorities, including the secure and speedy exchange of information, the provision of advice and mutual support in specific investigations and the compilation of analyses. Switzerland also takes part in expert meetings and training courses.

Like more than 30 other countries, Switzerland runs a liaison office at EUROPOL headquarters in The Hague, at which two police attachés are stationed in order to safeguard this cooperation.



Europol building
in The Hague

©Europol

Eurojust

Switzerland and the EU have institutionalised judicial cooperation in the fight against serious international crime. In 2008, they concluded an agreement to enhance cooperation in this area which sets out the fields of activity and the scope and nature of the exchange of information. EUROJUST is the equivalent of EUROPOL for dealing with judicial matters. EUROJUST's primary task is one of coordination, to create a basis that enables the best possible partnership between the competent national authorities. As with EUROPOL, Switzerland is planning to second a team of liaison officers to EUROJUST in order to enhance cooperation.

Cooperation with the European Defence Agency (EDA)

The cooperation agreement between Switzerland and the European Defence Agency (EDA) that was signed on 16 March 2012 provides the (not legally binding) basis for a lively exchange of information with the agency. The aim of this exchange is to build up a situation analysis of potential areas of cooperation before going on to define these in further detail, specifically in the fields of research and development, procurement and the maintenance of armaments. Switzerland is free to decide what information it wants to share with the EDA and which of the agency's projects and programmes it wishes to take part in.

Cooperation between competition authorities

Switzerland and the EU intend to work together more closely to combat cross-border restrictions on competition which impede free trade. An agreement between Switzerland and the EU concerning cooperation on the application of their competition laws, which was signed in May 2013, provides the framework for these efforts. The Federal Parliament approved the agreement in 2014.

According to the agreement, the competition authorities may exchange confidential information for the purpose of enforcing the competition laws of either party without informing the companies concerned in advance. This enhanced cooperation is also intended to avoid duplication of effort and guarantee greater coherence in decisions regarding the same case. By enjoying access to relevant information from the EU competition authorities, the Swiss Competition Commission hopes to gain greater clout.

Satellite navigation (Galileo and EGNOS)

Switzerland takes part in building and operating the EU satellite navigation systems Galileo and EGNOS. They are supposed to contain the dependence of European users on US-American GPS and ensure the availability of data in times of crisis. Switzerland and the EU signed the relevant cooperation agreement in December 2013.

Thanks to this cooperation, Switzerland secures access to all signals and is represented on all the relevant bodies. This is in the interest of the Swiss technology- and business-location and creates a good initial position for Swiss space and service industries to receive contracts. In return for these rights, Switzerland contributes around CHF 37 million on average to the annual costs of the programme. The agreement is concluded for an indefinite period but allows either side to terminate the cooperation by giving six months' notice.

European Asylum Support Office (EASO)

The European Asylum Support Office (EASO) is an EU agency headquartered in Malta. EASO promotes practical forms of cooperation between Schengen states in asylum issues and provides support to member states whose asylum and reception systems are under particular pressure. It also organises training sessions for asylum specialists and coordinates an exchange of information on country-of-origin matters.

By participating in EASO, Switzerland gains access to risk analyses and information on asylum practices in other European countries. At the same time, it can also take part in the strategic consulting process within the EASO management board. Switzerland and the EU signed an agreement on Switzerland's participating in EASO on 10 June 2014.



Galileo model

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Switzerland's policy on Europe – outlook

The bilateral agreements regulate the different aspects of relations between Switzerland and the EU. This bilateral approach enables Switzerland to adopt a policy based on openness and cooperation with its European neighbours, and has been endorsed by the Swiss electorate in various referendums.

With the adoption of the popular initiative against mass immigration on 9 February 2014, the Swiss electorate and a majority of the cantons approved a new system to manage immigration. This has placed a question mark over Switzerland's migration policy and relations between Switzerland and the EU, because managing immigration by means of quantitative limits and quotas is incompatible with the Agreement on the Free Movement of Persons between Switzerland and the EU.

After this vote, the Federal Council affirmed its determination to maintain and further develop Switzerland's close and important relations with the EU and its member states. The Federal Council is thereby pursuing its strategy of pushing ahead with and coordinating current and future negotiations on various European policy dossiers to achieve the best possible outcome for Switzerland.

The latest developments are outlined on the website of the Directorate for European Affairs (DEA): www.eda.admin.ch/europa

Institutional issues

Switzerland and the EU have concluded about 120 bilateral agreements to regulate their mutual relations. However, the EU has made the resolution of institutional questions a precondition for concluding new agreements on market access. These questions comprise four points:

- the adjustment of the agreements to developments in EU law,
- the supervision of the agreements,
- the interpretation of the agreements,
- the settlement of disputes.

The aim is to ensure that the rules contained within the common judicial area created through bilateral agreements are as uniform as possible and that they can be applied and interpreted in an equally uniform manner. Negotiations in this area began in May 2014.

Bilateral path – votes so far

1992	No	(50.3 %)	to the European Economic Area (EEA)
1997	No	(74.1 %)	to the initiative "EU membership negotiations: Let the people decide!"
2000	Yes	(67.2 %)	to Bilaterals I
2001	No	(76.8 %)	to the initiative "Yes to Europe!"
2005	Yes	(54.6 %)	to Schengen/Dublin
2005	Yes	(56.0 %)	to the extension of the free movement of persons (FMP)
2006	Yes	(53.4 %)	to cooperation with the countries of Central and Eastern Europe
2009	Yes	(59.6 %)	to the continuation and extension of the FMP
2014	Yes	(50.3 %)	to the initiative "stop mass immigration"

Electricity

Since 2007, Switzerland and the EU have been negotiating an agreement on electricity aimed at harmonising their electricity markets to improve cross-border electricity trade and increase the security of supply. Switzerland could thus secure its role as an electricity hub in Europe, which it plays because of its central geographic location, well-developed cross-

border grid and flexible power-plant infrastructure. Thanks to the flexible use of pumped storage power plants, Switzerland could contribute to the creation of a “storage battery” in the Alpine region for the European electricity supply. Mutual free market access would also strengthen the position of Swiss electricity producers on the European electricity market.



Power lines ensure a secure power supply in Europe.

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Peacebuilding

Switzerland participates in various civil and military peace missions abroad and supports them by providing experts. Cooperation with the EU within the framework of the Common Security and Defence Policy (CSDP) is significant in this context. Switzerland is involved in the European Union Force Althea (EUFOR Althea) military peace operation in Bosnia and Herzegovina, the EULEX EU Rule of Law Mission in Kosovo, the civilian EU Training Mission in Mali (EUTM Mali) and the EU Border Assistance Mission in Libya (EUBAM Libya).

Switzerland and the EU conclude a separate participation agreement for each deployment. In order to reduce the resulting administrative burden and to rapidly deploy personnel to these missions, the EU has proposed a CSDP framework agreement to Switzerland which regulates how the cooperation is to be organised. However, even with such a framework agreement, Switzerland would continue to decide independently whether, when, where and to what extent it would participate in any given CSDP mission.

Agriculture, food and product safety, public health

Switzerland and the EU want to become better integrated and work more closely in the areas of agriculture, food safety, product safety, and public health. Negotiations in these areas began in November 2008.

In the area of **agriculture**, Switzerland aims to obtain better access to the European agricultural and food markets. Better integration with the EU agricultural market would benefit Switzerland's agriculture and food sector, increase its competitiveness and safeguard jobs over the long term in Switzerland. No negotiations with the EU in the area of agriculture are currently under way. The next steps depend, among other things, on domestic policy decisions and other developments in agricultural and trade policy.

Based on the revised Foodstuffs Act, Switzerland aims to develop cooperation with the EU in the area of **food safety**. For example, the veterinary agreement between Switzerland and the EU, which has proven its worth, could be extended to the entire food chain. Besides removing trade barriers, this should also en-

able Switzerland to become fully integrated in the European food safety area. Full participation in the European Food Safety Authority (EFSA) would facilitate the exchange of information and thus improve consumer health and safety.

In order to ensure **product safety**, Switzerland has a strong interest in participating in RAPEX, the EU's Rapid Alert System for non-food dangerous products, which would give Switzerland and other EU/EEA member states better access to information about dangerous products in the other economic area.

Switzerland and the EU share a common interest in deepening their cooperation in the area of public health, which up to now has been governed on a piecemeal basis. Reinforced international cooperation helps protect **public health** in view of a possible global spread of infectious diseases. Switzerland's official inclusion in the new EU-wide mechanism in the event of serious cross-border health threats would optimally complement existing internal Swiss instruments.

Emissions trading

Since 2011, Switzerland and the EU have conducted negotiations with a view to linking their trading schemes with respect to CO₂ emission rights. Under the emissions trading scheme, participating companies are obliged to surrender an emission allowance

for each tonne of CO₂ emitted. The emission allowances can be freely traded both in the EU and in Switzerland. The emissions trading system, which is part of the fight against climate change, aims to reduce the emission of greenhouse gases in those companies where it is most cost-effective to do so.



The mutual recognition of greenhouse gas emission allowances would interlink the existing emission trading markets of Switzerland and the EU. This would put the Swiss companies concerned on an equal footing when buying and selling emission allowances, and should reduce any competitive distortions. It is also assumed that CO₂ reduction costs are often lower in the EU than in Switzerland and that the purchase of emission allowances would therefore tend to be less expensive for Swiss companies.

An emission allowance for each tonne of CO₂ emitted

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Tax issues

As of 2005, the controversy over business taxation has strained relations between Switzerland and the EU. Consequently, on 4 July 2012 the Federal Council adopted a mandate for a dialogue with the EU on business taxation. As part of this dialogue, the heads of the Swiss and EU delegations initialled a mutual understanding on 1 July 2014. This understanding contains no state treaty obligations and is limited to the listing of principles and mutual intentions.

In the document, the Federal Council reaffirms its intention to propose abolishing certain tax regimes within the framework of the third series of corporate tax reforms, particularly the different treatment of domestic and foreign revenue (so-called "ring-fencing"). New tax measures should be in line with international standards. Thus, Switzerland will remain actively involved in efforts to develop international standards for business taxation within the Organisation for Economic Co-operation and Development (OECD). In return, the EU member states confirm their intention to lift corresponding countermeasures as soon as the regimes in question have been abolished.

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