



Switzerland's relationship with the EU

Standard Note: SN06090

Last updated: 20 October 2011

Author: Arabella Thorp

Section: International Affairs and Defence Section

As it is not a member of the EU, Switzerland has no representation in any of the EU institutions and no right to participate in EU decisions (except regarding the Schengen border-free area). Nor is it a member of the European Economic Area (EEA) which comprises the EU, Norway, Iceland and Liechtenstein.

Switzerland has nevertheless chosen to cooperate with the EU in a number of specific areas of mutual interest. It is a member of the European Free Trade Area (EFTA) and an associate member of the Schengen border-free area, and it has a series of over 100 bilateral agreements with the EU, many of which require Switzerland to comply with EU law.

Contents

1	Overview	2
2	European Free Trade Area (EFTA)	2
3	Schengen border-free area	3
4	Switzerland agreements	3
5	European Economic Area (EEA)	6
6	Further reading	6

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

1 Overview

As it is not a member of the EU, Switzerland has no representation in any of the EU institutions and no right to participate in EU decisions (except regarding the Schengen border-free area). Nor is it a member of the European Economic Area (EEA) which comprises the EU, Norway, Iceland and Liechtenstein. It had envisaged joining the EEA and indeed the EU; but when a referendum in December 1992 rejected membership of the EEA, Switzerland's application to join the (then) European Community was suspended.

Switzerland has nevertheless chosen to cooperate with the EU in a number of specific areas of mutual interest. It is a member of the European Free Trade Area (EFTA) and an associate member of the Schengen border-free area, and it has a series of over 100 bilateral agreements with the EU, many of which require Switzerland to comply with EU law. What each of these areas of cooperation entails is set out below, but broadly speaking they do not cover the following policies:

- common agricultural policy;
- common fisheries policy;
- customs union;
- common foreign and security policy (other than ad hoc cooperation);
- justice and home affairs (other than Schengen);
- social policy (other than the coordination of national social security systems in the context of the free movement of persons); and
- monetary union (EMU).

2 European Free Trade Area (EFTA)¹

Switzerland, Iceland, Norway, and Liechtenstein are all EFTA members. The original 1960 agreement was reached between countries that sought the benefits of trade without full membership of the then European Economic Community (EEC), which was established in 1957.

EFTA countries first lowered tariffs between themselves, and then signed bilateral Free Trade Agreements (FTAs) with the EEC from 1973 onwards. The EEA Agreement (see below) superseded the FTAs with Norway, Iceland and Liechtenstein. A number of countries that are now EU Member States were formerly EFTA members. The UK was a founder EFTA member, alongside Denmark, Norway, Sweden, Austria, Switzerland and Portugal.

EFTA is a free trade area, rather than a customs union like the EU: member countries set their own tariffs, and can reach independent FTAs. Its [website](#) explains what the FTAs cover:

EFTA Free Trade Agreements (FTAs) establish a free trade area between the partners. They provide for free trade in industrial goods, including fish and other marine products; cover trade with processed agricultural products; provide for trade disciplines; govern preferential trade in goods under the FTA and contain elaborate rules on customs and origin matters, including cumulation^[1]. Trade in basic agricultural products is covered by separate bilateral agreements relating to the FTA.

FTAs liberalise trade in services, investments and public procurement in more recent agreements, including those with Mexico, Singapore, Chile and the Republic of Korea.

¹ See [EFTA secretariat website](#)

Other agreements contain rules allowing for the further development and deepening of relations in these fields through evolutionary clauses, e.g. with partners in the Mediterranean region. They include rules on competition to avoid adverse effects in the case of restraints of competition which could frustrate the liberalisation benefits of an FTA.

They provide for the protection of intellectual property rights in accordance with high standards, and contain provisions for the avoidance and settlement of disputes between the parties. They are adapted and upgraded regularly in order to remain as efficient as possible, taking into account developments in the World Trade Organization and in the bilateral trade relations of major trading partners.

EFTA now has FTAs with 32 countries: Albania, Canada, Chile, Colombia, Croatia, Egypt, Gulf Cooperation Council (GCC), Hong Kong, China, Israel, Jordan, Republic of Korea, Lebanon, Macedonia, Mexico, Morocco, Palestinian Authority, Peru, Serbia, Singapore, Southern African Customs Union (SACU), Tunisia, Turkey, Ukraine.

EFTA has three intergovernmental institutions: a Secretariat, a Surveillance Authority and the EFTA Court.

3 Schengen border-free area

Border and passport controls have been removed in EU Member States that have ratified the Schengen agreement, with the corollary that external borders will be better controlled. In addition, the network of cooperation between the police and judicial authorities has been improved. A vital element is the Schengen Information System basis, a databank providing information about wanted persons and goods.

Switzerland, Norway, Iceland and Liechtenstein all participate in Schengen co-operation despite not being EU Member States. For these countries participation in Schengen involves:

- being included in the area without checks at internal borders;
- applying the provisions of the Schengen acquis and of all Schengen-relevant texts adopted pursuant to it;
- being involved in decisions relating to Schengen-relevant texts, but without the right to vote.²

4 Bilateral Switzerland-EU agreements

Switzerland and the EU have signed dozens of bilateral agreements on the free movement of persons, the elimination of technical barriers to trade, public procurement markets, civil aviation, overland transport, agriculture and research. There are about 20 main agreements and 100 subsidiary ones.³ The main agreements are:

- Free Trade Agreement (FTA) of 1972: Industrial goods originating in one of the States Parties to the agreement are not subject to customs duties. Limitations on quantity (quotas) and any similar measures such as tariffs or duties are prohibited. In the case of

² “[The Schengen area and cooperation](#)”, *Europa summaries of EU legislation*, 3 August 2009 [accessed 26 September 2011]

³ See Integration Office of the Swiss Federal Department of Foreign Affairs and Federal Department of Economic Affairs, [Bilateral agreements Switzerland–EU](#), [undated; accessed 19 October 2011]

processed agricultural products (dealt with in Protocol 2 of the FTA) no customs duties apply to the industrial component of such products. As for the agricultural component, Switzerland has reduced its duties and export subsidies, and the EU has eliminated all duties and export supports.

- Insurance Agreement of 1989: Insurance companies in Switzerland and the EU are guaranteed the freedom to choose their domicile. Agencies and branches are granted equal access and operating conditions on the territories of the States Parties. The agreement is not applicable to life insurance companies, reinsurance companies or statutory social insurance schemes, and it makes no provision for cross-border services.
- Free movement of persons: The labour markets are to be opened gradually. Following transitional periods, Swiss and EU citizens will be able to take up residence in any of the partner countries and will enjoy the same employment rights. The prerequisites are to have a valid employment contract, to be self-employed or to have sufficient independent means, and to have health insurance.
- Technical barriers to trade: This agreement simplifies the admission of products. Testing and admission for the entire European market is now the responsibility of a single certification authority, either in Switzerland or in the EU.
- Public procurement markets: The procurement of goods and construction of buildings is to be subject to a public tender procedure in accordance with the rules of the World Trade Organization. The obligation has been extended to local authorities and to certain private companies as well as to railway traffic.
- Agriculture: Trade in agricultural products has been simplified in certain areas (cheese, processed dairy food), partly through the dismantling of tariffs and partly by the mutual recognition of the validity of regulations in the areas of veterinary medicine, plant protection and biological agriculture.
- Overland transport: The markets for road and rail transport will gradually be opened to competition, and Switzerland's transport policy based on road-to-rail transfer becomes part of European policy. The EU accepts an increase in the levy on heavy goods vehicle (LSVA) to CHF 325 (as of 2008), while Switzerland accepts a gradual increase in the weight limit for HGVs to 40 tonnes (from 2005).
- Civil aviation: The agreement gives airlines gradual access to each other's markets.
- Research: Swiss researchers as well as companies may now participate in the EU research framework programs.
- Schengen/Dublin: The elimination of the systematic control of individual movements facilitates cross-border traffic. At the same time, controls at the Schengen external borders and international cooperation between police authorities and justice systems have been strengthened in efforts to combat crime. The Dublin rules on jurisdiction and the Eurodac fingerprint database help to avoid multiple requests for asylum, lightening the burden on the national asylum systems.
- Taxation of savings: Switzerland collects a withholding tax on interests on behalf of the EU states on natural persons whose residency for tax purposes is in the EU.

- Efforts to combat fraud: Cooperation has been extended to combat smuggling and other indirect tax offences (customs duties, value added tax, tax on consumption), in the area of subsidies and in public procurement markets.
- Processed agricultural products: Tariffs and export subsidies have been abolished for a large number of food industry products.
- Environment: Switzerland becomes a member of the European Environment Agency, one of the most important instruments of European cooperation in the environmental field.
- Statistics: The collection of statistical data is harmonised between the partners, thus ensuring access to a wide range of comparable data of considerable potential importance for political and economic decision-making.
- Media: Swiss filmmakers have full and equal access to EU promotional programmes in this area.
- Education: Efforts are made to ensure Swiss participation in EU education programmes for the 2007-13 period.
- Pensions: Retired EU officials living in Switzerland will no longer be subject to double taxation.⁴

The Swiss Integration Office has a website on [Bilateral agreements Switzerland-EU](#) which sets out all the main agreements and includes a fact-sheet, brochure and presentation describing them. There is a complete list of Switzerland-EU treaties in the [European Commission Treaties Office database](#).

Any EU policy that is not covered by these agreements does not bind Switzerland. The EU and Switzerland choose the areas in which they want closer cooperation, and sometimes these are only small aspects of a larger EU policy area, such as transport policy for example. And not every agreement is about applying EU law to Switzerland. Although some make aspects of the EU *acquis communautaire* apply to Switzerland (for example the Civil Aviation Agreement and Schengen/Dublin) others follow different methods, such as regulating the recognition of the equal status of Swiss and European legislation (for example the reciprocal recognition of product regulations).

None of these agreements involved the transfer of any legal or decision making authority to a supranational body. Each of the parties to the agreements is responsible for implementation of the agreements on its own sovereign territory.⁵ Switzerland holds referenda on agreements that involve important provisions that determine legal regulations or which in order to take effect require the adoption or amendment of Swiss federal laws.

Most of the agreements are contracts in their own right and can be terminated separately at any time. The third to the ninth of the main agreements above, however, were concluded as a package, so termination of one of them would automatically result in all ceasing to apply.

The agreements are managed through a series of joint committees. Most of the agreements require updating in order to adapt to changing EU regulations: they are not automatically

⁴ Integration Office of the Swiss Federal Department of Foreign Affairs and Federal Department of Economic Affairs, [Bilateral Agreements Switzerland – European Union: Fact sheets](#), October 2007

⁵ *ibid*

updated by changes to EU rules. Other agreements are renewed at regular intervals. In 2009 the Swiss government identified three areas where further agreements were required:

Wherever there are mutual interests, cooperation should be intensified, including in new areas. This is the case, for example with electricity. The aim is a partial opening of the electricity markets while ensuring security of supply in the liberalised environment.

A further new area of interest is the agricultural and food sector. The aim here is to dismantle trade barriers such as customs duties or differing product regulations. Liberalised trade should apply to agricultural products (e.g. meat) as well as to the input factors of agricultural production (e.g. machines, fertilizers, etc.) and to processed food (e.g. chocolate).

The third area is public health: illnesses do not stop at borders; dangerous substances or defective toys are sold all over Europe. For this reason, cooperation in the field of infectious diseases, food and product safety should be intensified.⁶

Like the EEA countries, Switzerland contributes to social and economic cohesion projects in the EU. For instance, it makes an 'enlargement contribution' of over CHF 1.257 billion, to "help reduce the economic and social disparities in the enlarged EU" and "express its solidarity with its neighbours";⁷ and is contributing €50.1m in 2011-13 to the EU's youth programmes, 'Youth in Action' and 'Lifelong Learning Programme'.⁸

5 European Economic Area (EEA)

Signed in 1992 and operational from 1994, the EEA Agreement extends the EU single market – and its 'four freedoms', of goods, services, people and capital – to include Norway, Iceland and Liechtenstein, but not Switzerland. Switzerland was involved in the negotiations and signing of the original EEA Agreement (see below), but voted against joining the EEA in a December 1992 referendum.

As with EFTA, the EEA Agreement is a regional free trade agreement, not customs union. The [EFTA website](#) explains which areas of EU policy the EEA covers and does not cover.

6 Further reading

The Swiss Federal Department of Foreign Affairs and Federal Department of Economic Affairs published an [Information file on the Europe 2006 Report](#) in June 2006 which set out the relationship between Switzerland and the EU, and the implications for it of joining the EEA or the EU.

The Swiss Integration Office has a website on [Bilateral agreements Switzerland-EU](#) which sets out all the main agreements and includes a fact-sheet, brochure and presentation describing them.

Two Library standard notes give background on the trade aspects of Swiss-EU relations, although they were both written some time ago:

⁶ Integration Office of the Swiss Federal Department of Foreign Affairs and Federal Department of Economic Affairs, [Bilateral agreements Switzerland–EU](#), August 2009

⁷ Integration Office of the Swiss Federal Department of Foreign Affairs and Federal Department of Economic Affairs, [Swiss enlargement contribution](#) [undated: accessed 18 October 2011]

⁸ European Commission Education and Training, "[Doors open for participation of Switzerland in EU education, training and youth programmes](#)", 8 September 2009

- “EU trade agreements with third countries”, *Library Standard Note* SN/EP/3747, 6 February 2006
- “The UK & the EU: Potential alternative trade arrangements”, *Library Standard Note* SN/EP/3891, 1 April 2008