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A Road Map for Swiss – EU Relations

December 22, 2021

Executive Summary

Geopolitical changes and pressing unresolved economic problems of Switzerland with the EU following the suspension of negotiations on an institutional framework agreement on May 26, 2021 call for an immediate return to the negotiating table with a view to strengthen the rule of law. We set out a road map, structured in short-term, medium-term and long-term perspectives. In the short-term, the paper suggests three options to address institutional issues the resolution of which is a precondition to solve pressing economic needs relating to the participation of Switzerland in the Internal Market as a non-member of the EU. It addresses these issues and suggest recourse to autonomous domestic law safeguard measures in addressing concerns and fears expressed in the field of labour mobility. In sets out medium-term options and discusses the reform of the 1972 Free Trade Agreement and, the option of joining the EEA. Varying geopolitical changes, which are beyond the control of Switzerland, will define long-term perspectives. They need be taken into account from the outset in designing a road map for a short-term and medium-term agenda. This includes reconsidering the option of joining the EU as a member State.

Geopolitische Veränderungen ebenso wie vordringliche Probleme der Schweizer Wirtschaft in ihrem Verhältnis zur EU machen eine unverzügliche Rückkehr an den Verhandlungstisch seit dem Abbruch der Verhandlungen über ein Rahmenabkommen am 26. Mai 2021 vordringlich. Wir präsentieren hier einen Vorschlag für eine eigentliche Road Map mit kurz-, mittel- und langfristigen Massnahmen. Unmittelbar notwendig ist eine Regelung der institutionellen Aspekte. Wir diskutieren drei institutionelle Optionen und schlagen autonome Schutzmassnahmen unter schweizerischem Recht vor, um den Bedenken und Ängsten im Zusammenhang mit der Arbeitskräftemobilität entgegenzutreten. Mittelfristig drängt sich die Reform des Freihandelsabkommens von 1972 oder ein EWR Beitritt auf. Die langfristigen Perspektiven hängen stark von den sich wandelnden geopolitischen Verhältnissen ab. Diese liegen ausserhalb der Kontrolle der Schweiz, müssen aber von Anfang auch für kurz- und mittelfristige Massnahmen mitberücksichtigt werden. Dazu gehört auch die Wiederaufnahme der Option eines EU- Beitritts.

Les changements géopolitiques et les problèmes économiques urgents non résolus de la Suisse avec l'UE suite à la suspension des négociations sur un accord-cadre institutionnel le 26 mai 2021 exigent un retour immédiat à la table des négociations en vue de renforcer l'état de droit. Nous présentons une feuille de route, structurée en termes de perspectives à court, moyen et long terme. À court terme, le document propose trois options pour résoudre les problèmes institutionnels dont le règlement est une condition préalable afin de répondre aux besoins économiques urgents liés à la participation de la Suisse au marché intérieur en tant que non-membre de l'UE. Dans le domaine de la mobilité de la main-d'œuvre, nous abordons les questions clés et suggèrent le recours à des mesures de sauvegarde autonomes en droit interne pour répondre aux préoccupations et aux craintes exprimées dans le domaine de la mobilité de la main-d'œuvre. Il présente des options à moyen terme et évoque la réforme de l'accord de libre-échange de 1972 et la possibilité d'adhérer à l'EEE. Les perspectives à long terme seront essentiellement déterminées par des changements géopolitiques échappant au contrôle de la Suisse. Ils doivent être pris en compte dès le départ dans l'élaboration d'une feuille de route pour un agenda à court et moyen terme. Il s'agit notamment de reconsidérer l'option d'une adhésion à l'UE en tant qu'État membre.

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I. Introduction

No person will contest that Swiss EU relations, built over many years and resulting in a multitude of bilateral agreements, are presently at disarray. The discontinuation by the Swiss Federal Council, on May 26, 2021, of the negotiations on the institutional framework agreement, originally conceived in Swiss circles, and eventually a condition *sine qua non* on the part of the European Union for maintaining and further developing the sectoral participation of Switzerland in the Internal Market, has brought Swiss – EU relations to a deadlock. While the Swiss Government intends to take its time well beyond the next general elections in the fall of 2023 before re-engaging substantive discussions with the EU, the Commission urges to develop a road map to overcome the impasse early 2021. We concur. There absolutely is no time to wait.

Firstly, geopolitical conditions are rapidly changing. A world of US hegemony, a well-functioning world trading system based upon transatlantic leadership and democracy prevailing in a historical process were the foundations of successful bilateral relations with the EU. Today, geopolitical changes fundamentally challenge these premises. They no longer can be taken for granted. Authoritarianism is increasing in the World, and the European theatre no longer excludes recourse to warfare between powers. The EU will have to be more assertive vis-à-vis third countries. New and solid institutional foundations of Swiss-EU relations are therefore required. This process needs to start now. We cannot afford further delays.

Secondly, there are a number of urgent problems which need to be addressed in order to restore prosperous relations with the EU, and which cannot wait without harming economic relations on both sides, and thus welfare and wellbeing of the country and of the EU, in particular of neighbouring regions. Any other policy does not serve the welfare and wellbeing of the country and weakens Switzerland and Europe alike.

Widespread ignorance, false perceptions, politically motivated EU bashing and the refusal on the part of the Swiss government to submit the draft institutional framework agreement of November 23, 2018, to Parliament and the Swiss people, require a short-term, but equally a medium-term and a long-term agenda of developing a new perception of the EU in the country. A new narrative, considering changing geopolitical configurations is necessary. Switzerland is located at the heart of Europe. It is part of Europe. Given the political institutions of Switzerland, in particular direct democracy, implying high constitutional thresholds to alter relations with the EU, European integration in this country inherently develops step by step, in a gradual process, building on the experience of the past. On such grounds, we need foresight where to go in defining steps and goals in a political road map.

Importantly, the medium-term and long-term objectives need to be taken into account from the outset in defining a short-term road map. Overall, we need an agenda and path that provides for appropriate and timely steppingstone, commensurate with the evolution of the European Union and conditions imposed by geopolitics, both of which we do not control.

We see the current crisis as an opportunity to reboot and to look forward with new vigour and determination to contribute to building Europe and defend its place in the World. This paper focuses on short-term goals, but also includes tentative thoughts on medium-term and long-term aspects. No time should be wasted to picking up the file and restart negotia-

tions if Switzerland wants to avoid in the short-term increasing difficulties of market access, the erosion of existing agreements and the exposure to unilateral policies imposed by the EU in coming years.

II. An Institutional Framework for Swiss-EU Bilateral Relations

The Swiss Government initially supported the institutional provisions of the draft Institutional Framework Agreement of November 23, 2018, but refuted the draft Agreement on second thought by means of rejecting compromise on essentially two unresolved substantive issues. These were not related to the institutional provisions as such. The Government unilaterally terminated negotiations on May 26th, 2021 on grounds that the adoption of EU legislation on detached labour and on social protection of residents EU citizens was considered incompatible with politically set red lines: thus, the agreement should exclude them. Major political parties were split. They failed to support the effort to reach domestic compromise on these two issues. The Government led final negotiations with the Commission based on an extremely narrow mandate. For that reason, they were doomed to fail. It set aside short-sightedly essential interests in preserving the functioning of the Mutual Recognition Agreement, in concluding an agreement stabilising renewable electricity supplies in the context of climate change and in continued participation on research within Horizon Europe.

A. Basic interests

The process of sectoral economic integration of Switzerland combined with institutional abstention, short of decision-shaping and effective dispute settlement in matters relating to the European internal market, reinforced the imbalance of powers between the EU and Switzerland. While Switzerland is the 4th largest trading partner of the EU (after the US, China and the UK), the country depends on the Internal Market of the EU as a home market for 48.3% of exports (2020). Though the EU shows a positive trade balance of 12.5 billion €, its economy depends on the Swiss market for merely 7.4% of its exports and 6.3% of its imports (Eurostat 2021). Therefore, Switzerland is the partner primarily interested in settling outstanding issues with a view to avoid the deterioration and erosion of market access rights and to resolve pressing issues discussed below (Sec. III).

This imbalance, due to the size of respective markets and number of consumers, translates into asymmetric vulnerability. An agreement strengthening the rule of law can partly rebalance the imbalance of power. It allows for systematic participation in decision-shaping and legal dispute settlement, thereby reducing the risks of politically motivated measures imposed without judicial review. Rebalancing also entails regular exchanges of government, parliaments and courts of law. For the EU, it remains of central interest to protect the integrity of the Internal Market while allowing Switzerland to participate as a non-member of the EU.

An institutional arrangement therefore remains of central interest primarily to Switzerland. Strengthening the rule of law also is essential to democracy. In a region increasingly surrounded by authoritarian states, Switzerland and the EU share a common interest in defending a rule-based system based upon international and European law.

Switzerland and the EU therefore must pursue negotiations without further delay. Two short-term options are available, and a third one probably taking more time (see Section B. below). Besides decision shaping, adoption of legislation and dispute settlement, financial arrangements will form a key element of the institutional arrangement. It will secure regular cohesion payments. Additional financial commitments need be contemplated in the medium and long-term perspective.

In developing a joint road map, Switzerland will take into account particular interests of the EU. We assume that these are essentially expressed in terms of the 2018 Draft Institutional Framework Agreement, its Protocols and cohesion funding. Additional interests may emerge on both sides for consideration in negotiations.

B. Options

1. THE 2018 DRAFT FRAMEWORK AGREEMENT, AS AMENDED

We recall that both the Federal Council and the EU Commission endorsed the institutional provisions of the Draft Framework Agreement. Since the problems of detached labour and social rights can and should be resolved in the context of the Agreement on Free Movement of Persons and Swiss legislation (Section III.A), negotiations on institutional issues properly speaking can be resumed under the Framework Agreement.

We recall that the provisions on dispute settlement in the Framework Agreement are of great advantage to the rule of law and for Switzerland. In case dispute settlement finds a violation of the future Agreement under the rule of law, rebalancing measures must be subject to the principle of proportionality. The panel or arbitration, composed of an EU and a Swiss arbitrator and an independent chairperson, has the sole competence to assess the proportionality of countermeasures. This mechanism makes it unnecessary to settle every detail by negotiations at the outset. The system allows leaving some issues to dispute resolution. As much as within the EU, mutual relations evolve in an incremental process. They include recourse to national courts and, if necessary, to intergovernmental dispute settlement. The issues of detached workers and social rights are main examples to the point.

According to the Swiss internal debate, institutional issues remaining to be refined relate to the specific role of the European Court of Justice in arbitration proceedings. Resistance was due to the allegation that arbitration involving preliminary rulings of the European Court of Justice (without a Swiss judge involved) would be “arbitration in pretence”. In order to avoid ambiguity, negotiations should further clarify the scope of jurisdiction of the Court of Justice. It is limited to the interpretation of EU law on the Internal Market properly speaking, relating to directives and ordinances adopted by Switzerland as provided by the relevant bilateral agreements. Uniform interpretation of such law is in the interest of the Members States of the EU, of the EEA-EFTA-States, and of Switzerland alike. The application and interpretation of the bilateral agreements properly speaking as agreements under public international law, however, pertains in intergovernmental disputes to the exclusive competence of the panel of arbitration on which both parties are equally represented. We recall that the Court of Justice, as well as Swiss courts and the Federal Supreme Court, will continue to address bilateral agreements in the context of *domestic* proceedings. This, for example is the case when an EU national claims a violation

of an agreement before a Swiss court, or when a Swiss national complains before a court of law of a Member State who may refer the matter to the European Court of Justice.

2. DEVELOPING AN INSTITUTIONAL PROTOCOL

Uniform proceedings for decision-shaping and dispute settlement for areas pertaining to Internal Market integration can also be achieved by a protocol (substantially based on the institutional provisions of the Draft Framework Agreement, as described in Section B. 1. above) to be attached to each existing or future sectoral agreement. Such protocol could possibly also be attached to the Free Trade Agreement of 1972. In light of the interests set out above, the 1972 Agreement would greatly benefit from redressing the imbalance of power and thus from submitting it to the rule of law through legal dispute resolution. The protocol might also be attached to agreements beyond market access, such as Schengen/Dublin, or research cooperation. The protocol is suitable to be applied across the board and would require revisions of only a small number of existing agreements already including some provisions on dispute settlement, such as the bilateral agreements on insurance and on tariff and border cooperation.

The protocol would be strictly limited to procedural and institutional issues and leave substantive issues, including the manner in which EU law is adopted, to the respective sectoral agreements. Static or dynamic adoption may thus vary depending on the scope of a particular bilateral agreement. Negotiations would build on the institutional provisions of the Draft 2018 Framework Agreement, rendering them more user-friendly, less technical and more easily readable by the public. The protocol may either leave the bilateral agreements as stand-alone agreements or group them in clusters, e.g., based on the 1972 FTA, or the package deals of 1999 and 2004 and possible future agreements.

The institutional protocol, as attached to the various agreements or package deals will be subject in Switzerland to approval by Parliament and subject to facultative referenda.

3. DOCKING ON TO EFTA/EEA INSTITUTIONS

Alternatively, negotiations could explore reconsidering original proposals of the Commission suggesting to dock-on to existing EFTA/EEA institutions. Recourse to the EFTA Court and the EFTA Surveillance authority based upon the two pillars model has implications for surveillance and the status of Swiss courts. They will be subject to preliminary rulings of the EFTA Court. Importantly, this approach implies the consent of the EFTA/EEA States. It is doubtful whether this option can be timely achieved in light of the pressing regulatory needs listed below (Section III).

In conclusion, we suggest continuing working on the institutional Framework Agreement, moving substantive issues to respective agreements and deal with them in a package deal. If this is no longer feasible for Swiss internal political reasons, we suggest addressing institutional issues in the template protocol suggested above. Docking-on to the EEA institutions is time consuming and may be contemplated as a last resort if no clarification can be found on the proper role of European Court of Justice in arbitrations between Switzerland and the EU, despite the shared interest in the rule of law. It is likely to fall into a medium-term agenda below (Section IV).

C. Regular financial contributions

Switzerland continues to recognise the importance of cohesion funding in the European Union with a view to support eastern European Member States. It is important and of essential Swiss interest to share responsibility in reinforcing cohesion of the Union and strengthening European values.

III. Pressing Substantive Short-term Issues

Clearing core contentious institutional issues will open the way to resume or open negotiations on the following topics. In the short-term, the thrust of the Road Map should focus on impending and urgent substantive issues. From a Swiss perspective, these consist of the following issues and topics.

A. Free movement of persons and services

The Agreement on Free Movement of Persons remains – besides the 1972 FTA – a mainstay of Swiss EU relations. Since 2014, the Swiss people affirmed free movement of persons several times: in 2018, it rejected the popular initiative “against supremacy of domestic law and against foreign judges” by a margin of 66.3 percent and all cantons in 2018. It struck down the popular initiative “to suspend free movement of persons” by 61.7 percent in 2020. A strong majority of the Swiss people clearly support the bilateral Agreement on Free Movement of Persons. The Government must take this mandate into account.

Provisions agreed between Switzerland and the EU on detached workers in the Framework Agreement and EU law, as adopted under the Agreement on Free Movement of Persons, provide adequate protection for equal pay of equal work for workers detached to Switzerland. It allows continuing joint monitoring of implementation by social partners, in particular trade unions. Negotiations should not be limited to detached workers (representing 0.7 percent of the workforce). Instead, they should extend, under the principle of non-discrimination, to the general proposition of equal pay for equal work, independently in particular of gender, and based upon domestic rates in a sector, applicable also to resident and cross-border foreign workers originating in the EU/EEA. The agreement should provide adequate monitoring to this effect.

Rules on EU citizenship as applied to Swiss nationals in the EU, or rules of Swiss citizenship as applied to EU nationals in Switzerland, are inherently limited to the scope of the Agreement on Free Movement of Persons. The agreement does not entail all rights relating to EU (or Swiss) citizenship. The Agreement on Free Movements of Persons and relevant EU law incorporated into it provide the basis for social rights granted to Swiss citizens in the EU and to EU citizens working in Switzerland. Such rights shall include out of work and retirement benefits to residents and their family commensurate to the principle that the place of residence, and not the home country, is responsible for social security. Negotiations should focus on the phasing-in of additional social assistance obligations of Switzerland and the Member States.

In addressing concerns of abuse in these three areas, we propose that Switzerland will autonomously enact appropriate safeguard measures in domestic law. They are based upon the principle of prohibition of abuse of rights, which is also a recognised principle of international law. It does not depend upon treaty law. The Federal Act on Flanking Measures

and Detached Labour (SR 823.20) and the Federal Act on Foreigners and Integration (SR 142.20), and relevant social security laws will insert appropriate provisions to this effect. There is no need to address special safeguard clauses in the negotiations, nor is there a need to exclude the topics of detached labour or of social security entitlements of residents and their family in the Agreement on Free Movement of Persons to secure the application of bona fide domestic safeguard measures.

Domestic safeguards, when applied to EU citizens, will be subject to dispute settlement under the institutional arrangement in order to clarify whether the provisions adopted in domestic law transgress the abuse of rights. To the extent that measures taken should be found to be inconsistent with the Agreement on Free Movement of Persons, rebalancing measures by the EU will be subject to the principle of proportionality, for example by removing certain social entitlements for Swiss residents in EU member States. Such measures will be subject to the review of the joint arbitration panel. Proportionate rebalancing measures have to be accepted if Switzerland wishes to maintain the application of nonconforming safeguard measures. The system allows, in other words, keeping red lines politically defined.

B. Stabilising renewable electricity production and supply

The epochal challenge of greening electricity production and enhance dependence upon solar, wind and hydropower cannot succeed in Switzerland and the EU without a bilateral agreement on electricity. Switzerland is part of the European physical electricity network. The decline of base load energy renders supply-stabilization more difficult. It cannot be achieved without extensive technical cooperation. Swiss hydropower, in particular the 15 recycling pump-storage stations can make an important contribution to stabilization of supply in particular in Austria, Germany, France, Italy, Spain and Portugal. It is vital to link all European facilities of water storage in an optimal manner. For Switzerland, such linkage is essential to make storage and pump facilities economically viable. Only an integrated European electricity market can achieve this goal. Moreover, Switzerland has a vital interest for its power companies to participate in trading activities without discrimination and limitation of imports to 30% under current EU regulations. Switzerland must seek full-range integration is sought commensurate to the physical facts of the European electricity system, and therefore subject to dynamic adoption of EU law.

C. Cooperating in climate change mitigation and adaption

Beyond electricity, Switzerland is keen to support and participate in implementing the ambitious goals of the EU Green Deal and the overall energy transition. Switzerland's linkages to the EU emission trading system form the basis of detailed negotiations in a complex area, identifying issues to be included and those to be left to national policy space. It will be important to develop Carbon Border Adjustment Measures (CBAMs) in tandem.

D. Updating mutual recognition of technical standards

Innovative Swiss technology companies depend upon unfettered and non-discriminatory market access to the European home market, the Swiss market being too small for economies of scale. Constant updating of technical and market surveillance standards in line with EU regulations is of paramount importance to the industry. Likewise, Switzerland is

an interesting market for EU products. They equally depend upon non-discriminatory access. Current difficulties in the medical-technical field, and tomorrow in machine and machine tool industries and other sectors covered by the MRA, render this issue one of prime importance.

E. Updating the Agreement on Agriculture

For similar reasons as in the field of the MRA, food standards need aligning to EU regulations, including the initiative From Field to Fork. In particular, Switzerland has an interest in extending mutual recognition of food standards and market surveillance to non-veterinary products. Switzerland and the EU share common interests in the process of greening agriculture and the protection of biodiversity. They share an interest in mutual non-discriminatory market access while considering differences in production costs and sizes of farms. Without updating the Agreement on Agriculture, Swiss exports and imports of foodstuffs, including cheese exports, will suffer. The EU may no longer undertake phytosanitary controls abroad to the benefit of Switzerland.

F. Digital economy and cyber security

Switzerland is an important base for digital services. Market access of cloud services, offered worldwide and in Europe, essentially depends upon recognition of safety and data protection standards by the EU. A mutual recognition agreement will secure legal security. It secures non-discriminatory mutual market access for Swiss and EU operators.

Cyber security also entails seeking enhanced cooperation in defence of cyber-attacks. An agreement will contribute to enhanced cooperation in matters of defence in general in the context of the Permanent Structure of Cooperation of Member States in the area of security and defence policy (PESCO) within the bounds of Swiss permanent legal neutrality.

G. Cooperation in matters of health care

The COVID-19 Pandemic demonstrates the need for close cooperation managing the pandemic and in other health policy matters, in terms of early warning systems, management and exchange of data, licencing regulations, trade in vaccines and border controls. An agreement fosters mutual recognition of regulatory approval of new drugs, lowering costs and avoiding waste of time. It will develop disciplines on mutual medical assistance in intensive care, in particular in border regions.

H. Civil aviation

The Civil Aviation Agreement will integrate disciplines negotiated on competition law and subsidies in the 2018 Draft Institutional Framework Agreement.

I. Cooperation in research and education

Switzerland expects full association to Horizon Europe in basic research and development. Participation of outstanding Swiss research institutions, some of them leading in the world, is of shared and common interest. They assist in stimulating innovation in Europe for maintaining and establishing technological leadership. The same holds true for Erasmus and student exchange. The formation of human capital in a European context forms an important foundation of European competitiveness and integration. Excluding Swiss students

from access to the programme will further delay goals of long-term integration. Full participation is a shared interest of the EU and Switzerland.

J. Removal of unilaterally imposed trade restrictions

Switzerland expects the removal of politically motivated restrictions with the adoption of a shared road map, in particular denying the recognition of equivalence of Swiss stock exchange and its exclusion from trading European shares. Likewise, Switzerland will remove trade restrictions imposed following the failure to update agreements, in particular in the field of mutual recognition of product standards. These immediate steps are essential in building mutual trust. It is understood that no further and politically motivated measures will be adopted once negotiations are taken up again in accordance with the road map jointly adopted.

IV. Medium-term Road Map

The tradition of economic integration combined with institutional abstention with all its domestic implications and difficulties in Swiss politics and direct democracy requires also developing a medium-term vision for Switzerland in Europe. Since the rejection of the EEA Agreement in 1992, national-conservative attitudes have dominated the political discussion in the country. Traditional perceptions of sovereignty and widespread misunderstandings or ignorance of EU institutions and the process of European integration informed the debate. Brexit encouraged populist voices to call for a so-called “global Switzerland approach”, following the British example. The country is divided and today not ready for deeper steps of European integration. Much more work and commitments on the part of the government, political parties and civil society is required at home. Debating principles and goals of European policies of the country in the context of a bill proposed in Parliament will shape this process. A constitutional initiative might be launched by civil society on relations to European Integration set the stage in 2022 and inform the debate beyond the national elections of fall 2023.

Changing attitudes will take time. The short-term road map indicated above, however, amounts to an important stepping-stone in rebuilding mutual trust. It assists in preparing the debate on the medium-term future of Switzerland in Europe.

A. Reforming the 1972 Free Trade Agreement or joining the EEA

The medium-term road map should focus on reforming the basic 1972 Free Trade Agreement. Free movement of services should be included. It should entail advanced disciplines on investment and competition, including subsidies. The effort may integrate a number of sectoral agreements updated or concluded under the short-term road map, in particular on non-tariff measures. The EU is likely to extending the agreement to agricultural goods, beyond processed agricultural products, given that the current agreement on agriculture restricts tariff concession to a limited number of products, in particular cheese. If not done before, institutional arrangements and dispute settlement will be linked to the revised agreement.

While this does not exclude borrowing elements of modern trade agreements, CETA or the EU-UK Agreement, it is important to note that these agreements do not provide for any

participation in the Internal Market and would leave the Swiss economy with major impediments, in particular in terms of non-tariff barriers for goods and services. Swiss export industries would thus lose access to the EU market on Internal Market conditions and be induced to move establishments and production sites to neighbouring countries, much to the disadvantage of Switzerland and her welfare.

Reforming the 1972 FTA will also renew the debate on joining the European Economic Area with full participation in the internal market, effective dispute settlement but limited to decision-shaping. We note that EEA members are not keen to have Switzerland joining, as the current balance of powers will alter and the refutation of secondary EU law under the agreement depends on unanimity in the EEA framework.

B. Third country economic relations and external trade policy

The medium-term road map assesses external economic relations to countries other than the EU. Switzerland bases its relations with third countries upon the rules of the WTO and, as the case may be, upon preferential trade agreements. The question arises to what extent these rules continue to provide adequate market access for Swiss exporters in third countries, compared to preferential trade agreements concluded by the EU under the Common Commercial Policy. The EU operates a wide network of preferential agreements. They are deeper than those of Switzerland (mostly concluded in the framework of the EFTA), e.g. relating to competition and investment cooperation, or energy. The new trade strategy of the EU emphasises sustainability and is assertive in defending EU interests, potentially resulting in additional trade barriers for Swiss products or incurring disadvantages on third markets. Joining the EU's external economic policy implies EU membership or entering an extended customs union. Much depends upon the future of multilateralism. To the extent that WTO law is able to secure access, Swiss external policy can remain independent. To the extent that this largely fails in areas such as services or cyber law, alignment with the EU will be of increasing importance to maintain competitiveness of Swiss exports.

C. Global migration and burden-sharing

The medium-term road map will entail participation in reforming EU migration law and the system of Schengen/Dublin. Switzerland will continue full cooperation in the system, willing to make its contribution of burden sharing. The agenda is EU-wide and therefore not dependent on bilateral efforts undertaken under the road map. Yet, it is important to recall that in this area where Switzerland has reached full integration in European policies. Dissociation would result in major harm for labour markets, domestic security and tourism as a major decentralised service industry.

D. Security issues

Geopolitical challenges require in-depth thinking on preserving regional military security and contributions Switzerland can make beyond defending its own borders, with a view to develop protection of fundamental values of human rights, democracy and the rule of law. Building upon PESCO cooperation, enhanced cooperation in procurement will enable to lower costs and increase security in Europe.

E. Financial contributions

Switzerland should consider in fairness to make financial contributions to European integration, commensurate to comparable countries, such as Norway. Switzerland as a rich country has a responsibility to support to preserve democracy and peace in Europe, both of which depend on economic welfare. Beyond cohesion funding to the benefit of particular countries, it should explore taking into account IMF Special Drawing Rights assigned made available to Switzerland.

V. Addressing Political Long-term Prospects

The medium-term reform of basic agreements on trade in goods, security issues and migration again will trigger the debate whether Switzerland wishes to scale down its relations with the EU to a third country. It would operate essentially under WTO rules and possibly under a Cooperation Agreement, conferring a status comparable to that of the United Kingdom after Brexit. Most likely, this will require, inter alia, extensive tariff concessions for trade in agricultural products. Commensurate to the level of integration achieved and in light of dynamic developments of the EU, accession to the EEA will likely be outdated and would require substantial adjustments of the EEA Agreement. We recall that traditional options of cooperation with Europe, designed in the last century under the umbrella of transatlantic hegemony of the US and the EU, no longer will be available to Switzerland. Traditional attitudes on sovereignty will gradually shift towards cooperative sovereignty and a more comprehensive European sovereignty.

Geopolitical tensions and rivalry between the United States and China, the European Union and mid-sized powers in a multipolar world set the stage. The increasing spread and influence of authoritarian governments in Russia, Turkey, the Middle East and unclear prospects of US security policy will challenge Swiss neutrality and perceptions of an independent foreign economic policy. The EU will have to be more assertive vis-à-vis third States. As the EU-UK Agreement shows, the EU will not be willing to provide privileged market access rights to Switzerland, unless a proper institutional framework for participating in EU policies is in place and operating. Given the geopolitical developments and the geographical location of Switzerland at the heart of Europe, we clearly oppose for all the reasons given an option to scale down relations to an agreement similar to Canada or Australia, thousands of miles away. The “global Switzerland approach” is an illusion. No company is barred from trading and investing outside of Europe next to solid relations with the EU. It is unnecessary and adheres to outdated perceptions of national sovereignty in Europe.

The short-term and medium-term agenda will eventually lead to a closer alliance with the European Union in appropriate forms in terms of economic, cultural and military relations, while preserving Swiss identity based upon direct democracy and federalism in the country. We therefore expect that membership to the European Union (with or without the Monetary Union) in a federalist Europe will in the long-term be addressed in the light of geopolitical changes and the need to join forces in defending Europe’s role and place in the World. The option to join the European Union therefore should be included and recognised in a joint road map. It will greatly facilitate the achievement of short-term and medium-term goals. It will help to restore mutual trust and confidence essential for effective cooperation.