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Bilateral agreements Switzerland-EU



BILATERAL

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European policy is a high priority of Swiss foreign policy. This is not surprising given Switzerland's geopolitical position in the middle of Europe. Our EU neighbours are our most important partners – and not only from a political point of view. They are also important for Switzerland from an economic perspective because we earn every third franc through our economic relations with the European Union. The legal basis of this close cooperation is formed by bilateral agreements.

Switzerland pursues its interests with respect to the EU via the so-called “bilateral path”. The two partners negotiate contractual agreements in selected sectors of mutual interest. On the one hand, these improve reciprocal market access for companies or regulate related aspects of product safety, employee protection and health. On the other hand, they enable closer cooperation in areas such as research, security, asylum, the environment, education and culture. Switzerland also contributes towards the

development of Europe through various commitments. Examples are the enlargement contributions to reducing social and economic disparities in Europe, Switzerland's involvement in peace missions in south-east Europe, and its participation in the Council of Europe's efforts to promote respect for human rights.

Relations between Switzerland and the EU have developed over decades. The bilateral agreements have been extended step by step. Important stages of this European policy have been assessed and approved by the people in referendums. This pragmatic approach has made it possible to find tailor-made solutions in a number of areas.

This brochure gives an overview of the respective bilateral agreements. We wish you enjoyable reading.



Micheline Calmy-Rey
Federal Councillor



Doris Leuthard
Federal Councillor

Swiss European policy – the bilateral path

Switzerland is situated in the middle of Europe. Apart from the Principality of Liechtenstein, the EU is Switzerland's sole neighbour. It is also the most important economic and political partner. These close ties require an active European policy. In this respect, Switzerland represents its interests via the so-called bilateral path.

Switzerland and the EU are more than just neighbours. In 2008, bilateral trade passed the 1 billion franc mark – per day. Switzerland earns every third franc through trade with the EU. Roughly 80% of exports are to the EU. Conversely, Switzerland is the third most important market for EU products. It ranks below the USA and Russia but ahead of China (2008).

Politically, too, there are many mutual interests. Environmental matters, top-level research, refugee policy or the fight against organised crime are examples of areas with an increasingly transnational character. Here, cooperation and transnational solutions are called for. This makes cooperation with the EU very important.

The mutual interests of Switzerland and the EU are regulated in clearly defined areas by means of bilateral agreements. Following the 1972 Free Trade Agreement and the subsequent Insurance Agreement (1989), the system of bilateral agreements has been continuously extended. Of importance are the 7 Bilateral Agreements I and the 9 Bilateral Agreements II. Since 2000, this “bilateral path” has been approved by the people of Switzerland in five referendums. Today, the contractual framework comprises around 20 main and 100 subsidiary agreements.

Bilaterals I and II

The Bilateral Agreements I were negotiated following the rejection of the European Economic Area in a referendum. With the exception of the Research Agreement, these are classical market opening agreements which today provide Switzerland with extensive access to the EU single market with 490 million potential consumers. This strengthens the competitiveness of Swiss companies against with their European competitors.

Shortly after the successful conclusion of the Bilaterals I, there were already new areas of interest on the table. This led to further negotiations and to the conclusion of the Bilaterals II which cover additional economic

interests, for example, those of the food industry, the financial centre and the tourism sector. Above all, however, they extend the existing cooperation to political areas such as asylum, security and the environment.

How will European policy develop in the future?

Priority is given to looking after existing agreements. The implementation and further development of the individual agreements is an ambitious programme: They must be brought into force and extended to new EU states. Most agreements require updating in order to adapt to changing regulations. Other agreements are renewed at regular intervals.

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.

How do the bilateral agreements work?

The bilateral agreements are based on intergovernmental cooperation, i.e. no sovereignty rights are transferred to a higher instance (such as the EU institutions Commission, Council of the European Union, Parliament and Court of Justice). Implementation of the agreements is the sole responsibility of the contract partners.

In terms of content, the agreements are based on European law. Some regulate the recognition of the equal status of Swiss and European legislation (e.g. the reciprocal recognition of product regulations) or refer to the

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applicable EU law. Others deal with cooperation between Switzerland and the EU within the framework of EU agencies and programmes (e.g. in joint research).

In order to preserve the advantages of these contractual rulings (e.g. unrestricted market access), it is sometimes necessary to adapt the agreements to new legal developments. Problems can also arise in certain countries in terms of application. The so-called mixed committees are responsible for questions of this nature. These are bodies made up of representatives from Switzerland and the EU. Almost all important agreements are monitored and administered by a mixed committee.

Most of the agreements are contracts in their own right and can be terminated separately at any time. The Bilaterals I agreements are an exception. They were concluded as a package. Termination of one of them automatically results in all ceasing to apply.

Solidarity with Europe

Switzerland contributes to reducing social and economic inequalities in the EU in the form of the enlargement contribution for the new EU countries in Eastern and Central Europe.

This contribution is used to support specific projects chosen by Switzerland. This improves local living conditions, for example, in the fields of the environment, education and state institutions, and it creates increased security, stability and prosperity on the European continent.

The Swiss electorate approved the statutory basis for this support in 2006. The projects will be implemented over the coming years.

The Bilaterals I

Approved by the electorate in 2000 (67%), effective since 2002

- Free movement of persons: opening of the labour markets
- Technical barriers to trade: easier approval of products
- Public procurement: extended access to the European procurement market
- Agriculture: easier trade with specific products
- Overland transport: opening the markets for road and rail transport, securing the road-to-rail transfer policy
- Civil aviation: reciprocal access to the air transport market
- Research: Swiss participation in the EU research framework programmes

The Bilaterals II

Schengen/Dublin approved by the electorate in 2005 (55%), implementation of the agreements in stages

- Schengen/Dublin: easier travel, improved cooperation in security matters, coordinated asylum policy
- Taxation of savings: cross-border taxation of savings income
- Fight against fraud: combating crimes such as smuggling
- Processed agricultural products: removal of customs duties and export subsidies for food industry products
- Environment: participation in the EU Environment Agency
- Statistics: harmonisation and exchange of statistical data
- MEDIA: access to EU subsidies for filmmakers
- Education: participation in EU education programmes
- Pensions: removal of double taxation

Free Trade

The EU is by far Switzerland's most important trading partner. One of the mainstays of this economic success is the Free Trade Agreement which creates a free trade zone for industrial products that is customs and quota-free. It was signed in 1972 and is the basis of the close economic relations between Switzerland and the EU.

Two differing integration models formed in Europe in the late 1950s: On the one hand the European Community (EC), which aimed to achieve very close economic and political ties and, on the other hand, the European Free Trade Association (EFTA) of which Switzerland is still a member today. The latter was formed exclusively for the purpose of economic cooperation. In order to facilitate economic relations between these groups of countries, the then EC and the individual EFTA states concluded free trade agreements. The Swiss electorate approved the corresponding 1972 Free Trade Agreement between Switzerland and the EC with a majority of over 70%.

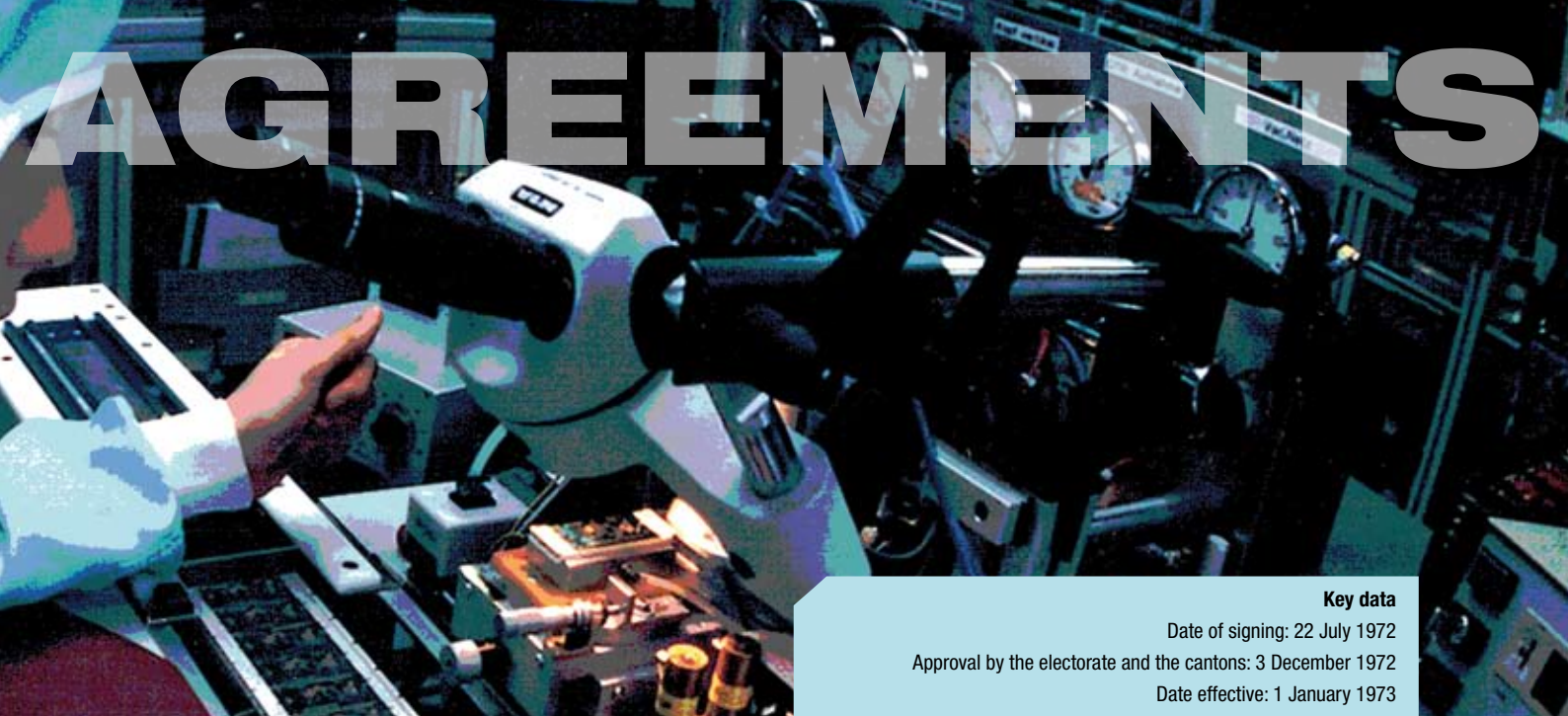
Growth

Trading volumes have grown by around 6% a year over the past ten years. In 2008, the Swiss industry exported goods worth 132 billion francs to the EU. And Switzerland imported EU goods with a value of 154 billion francs. A large proportion of these movements of goods is covered by the Free Trade Agreement.

The Free Trade Agreement liberalises trade in industrial products. It prohibits customs duties or quantity restrictions and other measures with the same effect. Examples of industrial products are watches or machines. Both are important product groups for the Swiss export industry. These sectors benefit to a high degree. On the other hand, agricultural products are excluded from the agreement, although industrially processed agricultural products enjoy special status and are regulated in a special protocol to the Agreement (see Agreement on processed agricultural products).

Two thirds of Swiss exports are to the EU, four fifths of imports come from the EU. With its current 27 member states, the EU is by far Switzerland's most important trading partner. Furthermore, Switzerland is the third-largest market for the EU (2008) and, together with the USA, China and Russia, is one of the four most important trading partners.

In contrast to a customs union, the free trade partners determine their external custom tariffs and quotas for third states independently. It is for this reason that customs clearance still takes place at borders between the free trade partners. This is aimed at ensuring that imported goods only benefit from the preferential rules of the free trade agreement if they have their origin in the territory of the contract parties.



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Key data

Date of signing: 22 July 1972

Approval by the electorate and the cantons: 3 December 1972

Date effective: 1 January 1973

“ *The Swiss watch industry is very export oriented and is dependent on the different import regimes. The Free Trade Agreements fundamentally favour watch sales by facilitating their export. Of particular importance are customs tariffs: Their abolition within the framework of the Swiss–EU Free Trade Agreement has made a major contribution towards the positive development of Swiss watch exports to the EU. With a 32% share of the overall volume, the EU is the second most important market for the Swiss watch industry after Asia. France, Italy and Germany are particularly important markets. We are very confident as regards the development of our exports to the new EU member states. They also benefit from the Free Trade Agreement.* ”



Jean-Daniel Pasche, President of the Association of the Swiss Watch Industry



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Insurance

The insurance industry is important for the Swiss economy. It employs over 125,000 people, more than half abroad. Its added value makes a major contribution to Swiss prosperity.

A Bilateral Insurance Agreement between Switzerland and the EU has been in place since 1989. This enables Swiss insurers to open agencies and branches in the EU countries (freedom of establishment) via which they can offer casualty insurance. EU insurers have the same rights in Switzerland. Examples of casualty insurance are homeowners', motor vehicle, transport, travel or liability insurance. The insurers

must have personnel in the respective countries. The cross-border offering of insurance to Europe from Switzerland – for example via the Internet – is not permitted. Life and pension schemes are excluded from the Agreement.

Swiss insurers employ over 47,000 people in Switzerland and 78,000 abroad (status 2007). Their annual revenue from casualty insurance is around 65 billion francs (2007) of which approximately two thirds are earned abroad. Numerous insurance companies have set up or acquired branches in the EU. This enables better international positioning by the companies concerned.

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Key data

Date of signing: 10 October 1989

Date effective: 1 January 1993

“*The insurance industry welcomes the Bilateral Agreement in the field of casualty insurance. The European market is very important for us and we are dependent on our ability to do business there as well. Even more welcome, however, would be the possibility of offering insurance directly from Switzerland – however, that is not possible at present.*”

Markus Hongler, Vice President of the Swiss Insurance Association



Free movement of persons: Swiss citizens in the EU

Many Swiss benefit from the freedom to look for employment in their preferred EU country. And companies benefit from the possibility of sending own personnel to the EU to carry out tasks on site.

Today, over 400,000 Swiss live in the EU. There are many reasons for this: some have found their dream job, others accompany their spouses abroad. Some go abroad to study, others spend their retirement near the sea. Thanks to the free movement of persons, all Swiss are entitled to reside and work in their preferred EU country.

Swiss companies also make extensive use of the free movement of persons: First, because they can recruit needed specialists in the EU (see chapter "EU citizens in Switzerland"). Second, they now have the possibility of carrying out tasks in

the 27 EU states using their own personnel. They can send employees to EU states for up to 90 days a year, for example, to assemble or service machines, without the need for a residence permit. Thanks to the recognition of professional qualifications, their own personnel also have the right to work in the EU in professions requiring a state recognized professional qualification.

For many companies, this ruling has increased market opportunities and expanded their sales market. In addition, it enables small and medium-sized companies, whose main market is Switzerland, to accept interesting and lucrative orders in the EU from time to time. This opens up new customer potential, in particular for specialist companies. Especially companies in the border regions of Switzerland can benefit due to their proximity to the new markets.

Who does the free movement of persons apply to?

The following regulations apply to both Swiss citizens in the EU as well as to EU citizens in Switzerland.

Gainfully employed persons, i.e. both employees as well as self-employed persons, have the right of entry, residence and the right to gainful employment.

Persons not gainfully employed, such as pensioners and students, have the right of entry and residence, provided they have health insurance and sufficient financial resources to ensure that they do not become a burden on the social system of the country concerned. Students must furthermore be enrolled at an educational institution.

Service providers, i.e. self-employed persons or employees sent by their companies, can accept orders in an EU country or in Switzerland for a maximum of 90 working days a year and can offer their services across borders.



Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)

Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)

Date effective: 1 June 2002

“ Thanks to the free movement of persons we have just participated in the building of a house in Scotland. The property owner, who has been coming to Davos on holiday for years, appointed us to build the roof construction and windows for his new house. Around 12 people from my company spent varying periods of time working in Scotland. Without the free movement of persons we would not have been able to accept the order – we would not have found any suitably qualified personnel in Scotland. And the qualifications of our employees would not have been recognised. The Bilateral Agreements with the EU open up new opportunities for our company and for my colleagues – we have many tourists here who like our architecture. Now they can simply order it. ”

Hansjürg Künzli, Master Cabinet Maker





Free movement of persons: EU citizens in Switzerland

For decades, Switzerland has been dependent on foreign workers which it recruited above all in Europe (e.g. Italy, Spain or Portugal). Since 2002, it has been easier for companies in Switzerland to employ EU citizens.

The free movement of persons gives employees from the EU the fundamental right to take up residence in Switzerland. A precondition is that they have an employment contract, are self-employed or financially secure and have comprehensive health insurance. If they are gainfully employed, they are given a residence permit. The wage and employment conditions must, however, be in line with Swiss standards. In certain circumstances, the free movement of persons also applies for pensioners and students, not, however, for the unemployed. These can only enter Switzerland for a limited period of maximum six months to look for employment.

Full freedom of movement has been effective with the 15 old EU member states as well as with Cyprus and Malta since 1 June 2007. Free movement of persons from the remaining EU member states is being introduced in stages. During the first few years, the number of residence permits remains limited (quotas); preference is given to Swiss employees, and the

wage and employment conditions are checked in advance. As part of a second phase, the restrictions are lifted, though quotas can be reintroduced if necessary. Full freedom of movement for persons does not apply until the third stage.

An important factor for companies is the ability to recruit sufficient and suitable personnel quickly during growth phases. Today, the availability of labour is a central factor when deciding on locations. Many sectors are dependent on foreign workers; hospitals and hotels could no longer function without them. The free movement of persons provides access to a wide labour market. This reduces pressure to transfer production abroad, while securing and creating jobs in Switzerland.

The wage and employment conditions of both Swiss and foreign workers are monitored through on-site checks. These have shown that Swiss wage and employment conditions are complied with in the vast majority of cases. Certain risk sectors show a higher number of contraventions. Consequently, the checks are constantly being improved and used in a more targeted manner. If wage dumping is detected, it can result in fines or, in certain circumstances, in the introduction of binding minimum standards.

Experience 2002–2008

In line with demand, many highly to very highly qualified and internationally sought-after employees have immigrated to Switzerland. Since the introduction of full freedom of movement for the 15 “old” EU countries such as Germany, France or the United Kingdom on 1 June 2007, considerably more people from these countries have taken up residence in Switzerland. Immigration from the “new” EU member states such as Poland or Hungary has been moderate and the quotas for residence permits have not been fully used. Free movement of persons from Bulgaria and Romania has only been introduced in stages since 2009.

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Extension to the states joining in 2004:

Date of signing: 26 October 2004

Approval by the electorate: 25 September 2005

Date effective: 1 April 2006

Extension to Romania and Bulgaria:

Date of signing: 27 May 2008

Approval by the electorate: 8 February 2009

Date effective: 1 June 2009

“ 32 surgical nurses and technical surgical specialists work in our operating rooms; of these 11 are Swiss. Of the 12 support staff, four are Swiss. I have been working here for 20 years and there has always been a need to recruit from abroad. So it is nothing new. As a rule, staff from neighbouring countries can begin work immediately, while those from more distant EU countries frequently experience language problems to start with. The Agreement on the free movement of persons with the EU has lowered administrative barriers and has enabled women to bring their families to Switzerland. In the past, this was not possible and frequently led to serious familial problems. In addition, we no longer have to deal with special permits. The fact is: Without foreigners, we would not be able to fulfil our task of caring for our patients. ”

Brigitte Dubach, Head of Nursing (Operating Rooms)



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Technical barriers to trade

Today, Swiss industrial products can reach the EU market quicker and more easily because they now only have to be tested once – in the EU or in Switzerland. This facilitates exports for Swiss companies and ensures a greater choice of products in Switzerland.

The Agreement on dismantling technical barriers to trade (also known as the “Mutual Recognition Agreement”, MRA) allows the mutual recognition of conformity tests for most industrial products. So-called conformity tests ensure that a product complies with the applicable regulations. Only if all regulations are complied with – for example safety regulations for toys – can the product be offered on the market. This guarantees that it is safe and cannot put anyone at risk. Since 1992, Switzerland has to a major extent adapted its regulations to those of the EU.

The Agreement covers various product areas. These include machines, printers, medical products (such as heart pacemakers and prostheses), motor vehicles, tractors, measuring instruments, telecommunication devices and, since March 2008, building materials. Despite the Agreement, Switzerland can introduce stricter health protection regulations if it considers this necessary.

The mutual recognition of conformity tests for these products creates numerous advantages for the trade in goods: The declaration of conformity – for example for a compressor – carried out by a Swiss testing centre is simultaneously valid for the EU market (the testing centre must, however, be accredited in the Agreement). On the basis of this declaration of conformity, the manufacturer can attach the CE sign to his compressor and export the device to the EU. Naturally, this also applies in the opposite direction – for example, if a car has been tested in Germany, it can be imported into Switzerland without further tests.

The Agreement ensures that, when exporting, Swiss producers do not waste time and money on a second test, as was the case in the past. This enables them to place their products on the EU market more quickly. It also eliminates the double testing costs. As a result, the Swiss export industry can save between 200 and 500 million francs each year. And Swiss consumers benefit from a broader selection of products at lower prices.

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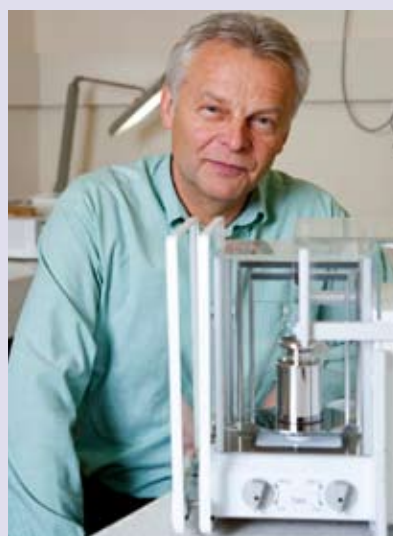
Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)

Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)

Date effective: 1 June 2002

“ We produce scales in Switzerland, Germany and China. Thanks to the bilateral Agreement on dismantling technical trade barriers, we can have the scales tested in the respective country and then export them to all EU countries. The Agreement also helps us in the global marketplace: For example, the Federal Office of Metrology and Accreditation (METAS) has certified our production in China – a METAS official visited and tested the plant. The scales produced there can then be imported to the EU and Switzerland. In the past, we always had to involve a weights and measures officer when installing scales in a EU country. This cost money and annoyed customers. Today, this is no longer necessary and greatly facilitates our work. ”



Roland Nater, Head of Legal Metrology at a scale manufacturer

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Public procurement

School construction, rolling stock for railways or municipal IT systems and other contracts for public bodies are interesting contracts for private sector companies. They frequently create jobs over many years. The Agreement on public procurement means that these contracts can now be accepted in more sectors than in the past.

Public procurement is regulated worldwide – under the provisions of the World Trade Organization (WTO). However, the bilateral agreement between Switzerland and the EU goes further. Now, it is no longer just the Confederation and the cantons that have to put their contracts out to tender, but also the municipalities and other public authorities. The same applies for the EU states. This concerns such matters as municipal contracts in the fields of public transport (e.g. tram, bus) or infrastructure (e.g. roads, bridges). The rail transport and energy sectors are also being opened up. In the fields of water, electricity, local transport and airports there is even a requirement for certain private companies to put their contracts out for public tender.

In concrete terms: Since 2002, Swiss companies have enjoyed equal rights in the EU in terms of competing for contracts such as the building of hospitals, the supply of gas and heating, or procurement in rail transport. In return, EU companies can tender for corresponding large contracts in Switzerland.

The international, public invitations to tender are not only of interest for suppliers, but also for the public sector and thus for the taxpayer – because the fundamental principle applies that, given the same quality, the lowest bid must be accepted. This saves costs. It also creates transparency of competition.

The rules for public tenders only apply upwards of a specific minimum amount: For building contracts this is around 10 million francs, for goods and services approximately 250,000 francs (Confederation). The threshold for municipalities and cantons is approx. 380,000 francs.

A billion franc business

Public procurement is a billion franc business: Each year, the Confederation, Cantons, municipalities and public sector companies award contracts worth 30 billion francs. Invitations to tender from the municipalities account for the largest share. The EU countries spend approximately 1,500 billion euro each year on the building of infrastructure as well as for the procurement of goods and services.

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Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)
Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)
Date effective: 1 June 2002

“As part of an architecture competition, we were invited to submit a project for an urban development project at the Nordwestbahnhof railway station in Vienna – and, to our great delight, we won. Of course, our company has a good reputation in this field, but without the bilateral Agreement on public procurement we would never have received genuinely equal treatment. However, our competitiveness is the result of more than just one single agreement: The free movement of persons also means that our qualifications are recognised – a decisive factor in an architecture competition.”

Bertram Ernst, Architect





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Research

The Swiss economy depends to a major extent on discoveries, inventions and new ideas. Research and development of new products is therefore an important prerequisite of Swiss success.

Since 2004, Switzerland has been involved in the European Research Framework Programmes. As a partner, it can influence the direction of the programmes. It receives access to research results, and Swiss researchers can initiate and manage projects themselves. This is particularly important for Switzerland as a research and technology location.

Participation in the research projects is open to universities and the Swiss Federal Institutes of Technology, as well as to companies of all sizes and private persons. The areas of research up until 2013 include information and communication technology, health, energy, nanotechnology and the environment.

The networking of researchers and the targeted support of projects aim to strengthen Europe as a research region, and promote growth and employment. The main focus of the programmes is decided for one programme generation respectively. The 7th research framework programmes run from 2007 to 2013 and have total funds of 54.6 billion euro. The contributions of the member states are laid down in accordance with the economic strength of the respective countries. Switzerland's contribution to the 7th research framework programmes is approx. 2.4 billion francs.

Money has flowed back into Switzerland

Switzerland has already participated in the 6th research framework programmes of the EU. At the time, it contributed 780 million francs. Subsequently, more than 100% flowed back into Switzerland as EU subsidies: One third of the money went to the Swiss Federal Institutes of Technology; a quarter benefited companies – both small and medium-sized companies (SMEs) as well as major industries; a further quarter went to the universities. The rest went to universities of applied sciences, the public sector and non-profit organisations. A further 75 million were paid to international research institutes in Switzerland such as CERN and UN organisations.

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Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)
Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)
Date effective: 1 June 2002
Renewal of the Agreement: 2004 and 2007 for participation in the 6th and 7th Research Framework Programmes

“ We are managing a project concerning the substitution of nitrate and nitrite with vegetable substances. Nitrate and nitrite are used as preservatives in meat products such as salami. However, the aim is to replace both substances in the medium term. We are a small company with just three employees and are involved in research in the field of biological agriculture. We wish to carry out research into vegetable substances as new ways of soil loosening and fertilisation. We were entrusted with the project management following our participation in another European research programme. The budget for our project is 4.5 million francs and we are working with a further four partners in various European countries. As an individual company we would never have been able to start a project of this nature. In addition to the research results, this also gives us a good reputation and credibility on the market. ”

Silvia Selber, Project Manager



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Agriculture

Swiss cheese has a symbol value. Since the middle of 2007, it has been possible to export cheese to the EU states free from customs duties. Swiss cheese producers are doing this successfully. Other areas have seen partial liberalisation and simplification of trade.

Since 2002, trade between Switzerland and the EU in agricultural products has been facilitated. This step opens up individual market segments (e.g. cheese). Trade barriers such as customs duties and differing regulations (e.g. in crop protection) are in part being dismantled. After all, the EU is also Switzerland's most important trading partner in the agricultural sector. In 2008, 65% of Swiss exports with a value of 4.9 billion francs went to the EU. Indirectly, roughly every fourth litre of Swiss milk is now exported. In 2008, just 78% of imports (with a value of 9.1 billion francs) came from the EU. Consumers also benefit from this in the form of generally lower prices.

Just how important the opening of the markets is, is illustrated particularly clearly by the cheese sector: The cheese trade has been liberalised in stages. Since 2007, it has been possible to export and import all types of cheese to and from the EU without customs duties. Swiss exports of cheese rose by a full 7% per annum between 2005 and 2007.

The export and import of fruit, vegetables, meat, wine and horticultural products have seen partial facilitation. In addition, various regulations have received reciprocal recognition, thus facilitating trade (wine, spirits, crop protection, animal feed and seeds as well as hygiene and veterinary regulations). This is also of importance for producers of biological products because the Bio certificate is recognised in the EU.

Trade in cheese

In 2008, exports of Swiss cheese to the EU totalled 50,000 metric tonnes with a value of 475 million francs. Swiss exporters enjoy success above all in the segment for expensive and high quality cheese. Whilst the Italians and French buy mostly Emmentaler, the Spanish, Portuguese and British prefer Gruyère. The most popular Swiss cheese in Germany is Appenzeller. Conversely, around 41,000 tonnes of cheese were imported from the EU in 2008 (around 380 million francs) – above all bulk goods which were used by the Swiss cheese industry. The main suppliers are France and Italy. The most popular specialty imports are Mascarpone, Ricotta, Mozzarella and soft cheese.

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Date of signing: 21 June 1999 (in the framework of Bilaterals I)

Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)

Date effective: 1 June 2002

“ *The liberalisation of the cheese trade has made it easier and cheaper for me to export to the EU. My main market is Germany and the best sellers are the quarter-fat cheeses and our own specialties such as “Sichel” cheese or the special Easter and Christmas cheeses. I have also tried exporting bear’s garlic cheese, but it was not so well received. For us as a small cheese company, it is important to have a good cheese trader who promotes our products in the EU – this is essential to success. And: You must find your own niche in order to enter the market with own specialties.* ”

Hans Stettler, Cheesemaker



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Overland transport

Transferring goods to the railways: This is the principle of the Overland Transport Agreement between Switzerland and the EU. The European Union accepts the Swiss heavy goods vehicle tax (HGV tax). By so doing, it recognises the Swiss policy of transferring freight from road to rail. In return, Switzerland has raised the weight limit for heavy goods vehicles to 40 metric tonnes.

The Overland Transport Agreement between Switzerland and the EU is an important cornerstone of Swiss transport policy. The aim is to transport as much freight as possible by rail, thus protecting the environment – above all in the Alps. In 1994, the Swiss electorate anchored this principle in the constitution by voting yes to the Alpine Initiative. The EU recognised the principle of moving from road to rail by signing the Overland Transport Agreement five years later.

A central aspect of the Agreement is the heavy goods vehicle tax. This tax is levied on all heavy goods vehicles travelling on Swiss roads. In accordance with the polluter-pays principle, it is based on the distance travelled, the weight and emissions. Since 2009, the average fee is 325 francs for a 40-tonne

vehicle travelling a distance of 300 kilometres (e.g. Basel-Chiasso). A large part of the proceeds is invested in the New Transalpine Rail Link (NEAT). The opening of the Lötschberg Tunnel in 2007 marked the completion of an initial stage; the Gotthard Basis Tunnel should be completed by 2017. This will increase the capacity for transferring goods to the railways and should further encourage the transfer.

Under the Agreement, Switzerland raised the weight limit for heavy goods vehicles from the previous 28 metric tonnes to the EU level of 40 metric tonnes. This means that fewer heavy goods vehicles are required for the same quantity of goods. At the same time, transport markets in road and rail traffic were opened to a major extent – with the exception of rail passenger travel. Certain standards, such as access to the profession of road transport operator, have been harmonised to enable the liberalisation of transport.

For the railways, the Agreement means improved access to the rail networks of the other EU countries. This benefits companies that combine road and rail transport (heavy goods vehicles and containers that are loaded onto the railway).

Less heavy goods traffic in the Alps

Since the introduction of the HGV tax in 2001, the rapid increase in heavy goods vehicles crossing the Alps has been stopped. In 2008, the railway's share of freight traffic crossing the Alps was 64%. This high level is unique in comparison with other Alpine countries. Without this transfer policy, roughly 500,000 more heavy goods vehicles would travel through the Swiss Alps per year (status 2006). Overall, 1.275 million (status 2008) heavy goods vehicles cross the Alps each year, 9.2% less than prior to the introduction of the HGV tax in 2000.

AGREEMENT



Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)

Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)

Date effective: 1 June 2002



“Through the Overland Transport Agreement, the EU recognises the Swiss aim of transfer. In addition, the preconditions have been created for further steps in the liberalisation of the rail freight traffic market. The Agreement is an important basis for the competitiveness of Swiss rail freight traffic and allows as many goods as possible to reach their destination by rail.”

Andreas Meyer, CEO of Swiss Federal Railways (SBB)

Civil aviation

Today, low-cost flights to Athens, Barcelona, Bordeaux or Florence for a weekend are possible – also thanks to the Civil Aviation Agreement with the EU. This has resulted in greater competition and improved aircraft capacity utilisation. Today, airlines have the freedom of choice in terms of destinations and tariffs. All that counts is customer demand.

Air travel has become even easier since 2002. While in the past states had to give their consent to an airline flying to a country, the only deciding factor today is the market. For example, if there is demand for additional flights from Geneva to London, the airport operator contacts airlines and offers them take-off slots in Geneva. Or conversely: If a Swiss airline wishes to fly to Cyprus, it negotiates directly with the airports concerned. Thanks to this ruling, foreign airlines can quickly take over routes from Geneva or Basel-Mulhouse, for example, which have been given up by Swiss.

Liberalisation of the aviation market has enabled low-cost airlines to enter the European market. Increased competition has made air travel generally more attractive and cheaper. In the past, even flight tariffs and aircraft capacity utilisation were subject to state approval. The removal of these regulations, as well as the far-reaching freedom of choice regarding destinations, increases the capacity utilisation of flights and promotes competition between airlines.

Safety regulations have also been harmonised. They are controlled by the European Aviation Safety Agency (EASA). This agency is responsible for licensing aircraft and for supervising technical requirements, for example, regarding aircraft maintenance.

Switzerland is also involved in the creation of the Single European Sky (SES). The aim of the SES is to restructure air traffic control in Europe by defining airspace on the basis of effective traffic flows and no longer on the basis of national borders.

Abflug AGREEMENTS Departure

Key data

Date of signing: 21 June 1999 (in the framework of Bilaterals I)
Approval by the electorate: 21 May 2000 (in the framework of Bilaterals I)
Date effective: 1 June 2002

“ *The Air Transport Agreement with the EU offers the advantage that the free market has created fundamentally equal market conditions throughout Europe. We are very active in terms of acquisition and are approaching airlines in a targeted manner with the aim of convincing them to fly to and from Bern. Nevertheless, the market has become tougher. Ultimately, airlines do not mind where they fly to; the routes must quickly become profitable and fit in with their strategy. As a result of the increased volumes and load distribution, large airports undoubtedly benefit more from liberalisation than small airports, such as ours. Overall, however, the Agreement is in line with the times and a good thing for our country.* ”

Charles Riesen, Airport Director



Schengen

Travel without having to queue for passport controls at borders – that is the idea behind Schengen. At the same time, however, the new mobility should not be at the expense of security. Consequently, controls at the external borders have been intensified, and cooperation between police and justice improved. In addition, only one single visa is required for entry into the Schengen area, a fact which has a positive effect on Swiss tourism.

Within the Schengen area, controls on individuals crossing internal borders have been removed, making it easier for people to travel to other Schengen states. Traffic congestion as a result of passport controls is a thing of the past. Nevertheless, the Swiss border remains a special case. As Switzerland does not belong to the EU customs union, goods still have to be customs cleared. Within the context of customs clearance on goods, or in the event of an initial suspicion of a criminal offence, persons can still be subjected to passport/identity controls. Consequently, Swiss border guards remain at the border. In addition, the border guards still carry out random checks in border regions or in the interior of the country.

Furthermore, each country has the option to reintroduce systematic personal controls at borders for limited periods if required by the security situation. Possible examples are during international soccer championships with an expected influx of hooligans or if major political events such as the G8 Summit require special measures.

Increased security thanks to SIS

Internal security should be guaranteed even without personal controls at internal borders. For this reason the police authorities in the Schengen states have strengthened their cross-

border cooperation. A central aspect of this is the Schengen Information System (SIS). If a person is checked during a police control, his name can be entered in the SIS. If the person is already noted in the system, details of name and physical characteristics appear, together with the reason for the search and the measures to be taken. The SIS contains a register of wanted or missing persons as well as persons who have been barred from entry. Nevertheless, the bulk of the data (over 95%) concerns matters such as cars or passports which have been registered with the authorities as stolen.

The Swiss investigation system RIPOL is linked to the SIS in such a way that both databases can be checked with one single inquiry. At the push of a button, policemen have access to Europe-wide searches for persons. As a result, criminals can no longer simply escape from the police or judicial authorities by crossing an international border.

Intensive use has been made of the SIS in Switzerland since its introduction, and experience to date is very satisfactory: every day, an average of around 20 hits are registered in the SIS in Switzerland. And in the other Schengen states approximately 7 hits are registered each day as a result of Swiss data.

Controls at external borders

Parallel to the removal of border controls inside the area, the external Schengen borders are subject to increased surveillance in accordance with international standards. Examples of external borders are the Italian and Spanish coast or the eastern borders of Poland and Slovakia. External border controls are also carried out at international airports. The documents of incoming travelers are checked and, in the case of persons from non-EU/EFTA countries, checks are made with the Schengen Information System (SIS).

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Key data

Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Approval by the electorate: 5 June 2005

Became operational: 12 December 2008 (airports 29 March 2009)

Common visa policy

Schengen also harmonises visa policy. A Schengen visa, normally valid for the entire Schengen area, permits a maximum stay of three months. It is issued by the Schengen states in accordance with uniform criteria and is also valid for Switzerland. This creates advantages for Swiss tourism because, for example, visitors from India or groups from China can also come to Switzerland during a tour of Europe without additional costs and an additional visa.

SIS and data protection

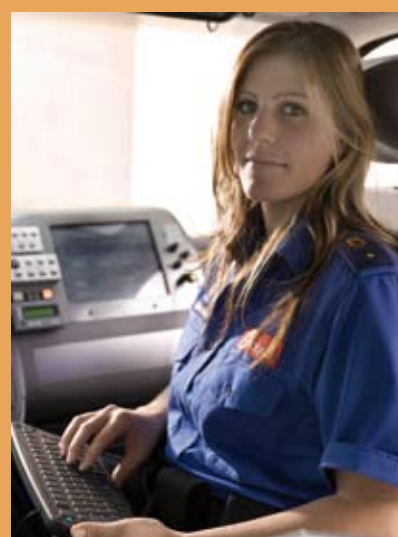
There are clear regulations concerning which data can be entered in the SIS and who can consult it in Switzerland. Processing of the data is monitored by independent data protection authorities. All persons have the right to inquire whether data on them is recorded in the SIS. If this is the case, they are entitled, in certain circumstances, to view the data and to have false information corrected or deleted. Persons are only sought for arrest for criminal offences carrying a punishment of at least one year in prison, such as serious theft, drug trafficking or murder.

Schengen is being further developed

Schengen is constantly being further developed, for example, to meet new security requirements. Switzerland is involved in the preparation of new Schengen law. If new legal instruments are introduced, Switzerland must decide whether it wishes to adopt them. If it rejects them and is unable to agree on a solution with the EU, the Agreement ceases to apply.

“When we check a suspicious person, we can enter his or her name in the SIS immediately and learn very quickly whether it is on a list of wanted people. The Swiss investigation systems and those of the EU countries are combined in one joint system. In the first three months following the introduction of the SIS, the Bern Cantonal Police stopped a total of 66 persons from the EU on the basis of a hit in the investigation system. These included 27 persons who were either being sought by the authorities to ascertain their residence or for extradition purposes. These persons were handed over to the responsible bodies.”

Alexandra Stettler, Policewoman



BILATERAL

Dublin

It is a fact that not only people who are victims of persecution come to Europe to seek political asylum, others are motivated for economic reasons. To raise their chances of gaining entry to the EU, many such individuals go from one country to another trying their luck and in doing so create additional work for national immigration authorities. To relieve national asylum systems of such multiple applications, the Dublin Agreement regulates which country is responsible for dealing with each individual asylum application. The rules set out in the agreement guarantee that every asylum seeker can pass through a fair procedure, but only one.

Asylum seekers have a right to an accurate examination of their applications for asylum and not to be pushed back and forth between countries. At the same time, there is a need to prevent asylum seekers from making applications in several countries, which leads to unnecessary and costly multiple burdens on national asylum systems.

For this reason, the Dublin agreement determines which country is responsible for which asylum seeker. Initially, responsibility lies with the country in which family members are already living. If this does not apply, responsibility lies with the country that issued a residence document or visa for the asylum seeker, or with the country that the individual in question entered illegally. If it is not possible to ascertain which country is responsible on the basis of the various criteria, responsibility lies with the country in which the asylum application was made (first asylum country). This country must check the application for asylum and is responsible for the wellbeing of the person concerned. If the asylum seeker is deported following a negative decision and subsequently resurfaces in another country, the person can be sent back to the country originally responsible for the case.

All asylum seekers have their fingerprints taken and stored in the European fingerprint database (Eurodac). All states participating in the Dublin Agreement have access to Eurodac. Checking this database makes it possible to determine within a very short time whether asylum proceedings have already been carried out in another country. Costly clarification can frequently be avoided as a result.

Geographically, Switzerland is situated in the middle of Europe. To avoid becoming an island, it also participates in the Dublin Agreement. Even in the past, Switzerland took fingerprints of asylum seekers. Thanks to the Dublin Agreement, Switzerland now stores the fingerprints in the Eurodac database, which includes data from all Dublin states. By comparing fingerprints, Switzerland can now check whether the person concerned has already submitted an application in another country, for example Italy. Initial experience with Eurodac has shown a high hit rate.

Additional burdens on Mediterranean countries

Given their geographical location, Mediterranean countries such as Spain, Italy, Malta or Greece are frequently first-entry states for asylum seekers, meaning that they are more often responsible for asylum applications than other countries. The EU is discussing improved ways of sharing the various costs involved. One measure already implemented, for example, concerns the financial compensation mechanisms to support countries with heavier burdens. Switzerland has not so far participated in these instruments.



Key data

Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Approval by the electorate: 5 June 2005

Became operational: 12 December 2008

“Persons arriving at our centre as asylum seekers have the right to correct examination of their application. We record their data and carry out the questioning needed for the application. The asylum seekers have their fingerprints taken. Since we are linked to the European fingerprint database Eurodac, we can also check whether an application has already been made in another country.”

Antonio Simona, Reception and Procedure Centre Manager



Taxation of savings

Natural persons based in an EU country who earn interest on investments in Switzerland should be obliged to pay tax on this. The Agreement on the taxation of savings income with the EU is intended to prevent Switzerland being abused for tax evasion purposes. This also protects banking secrecy.

Since the middle of 2005, EU customers of Swiss banks have been required to provide the banks with written instructions concerning the treatment of their savings income. They either authorise their bank to report the interest paid to the tax authorities in their country or tax is withheld directly by the bank.

Report: The bank customer from the EU gives his consent to the bank to report the interest to the Swiss tax authorities. These then forward the data to the corresponding EU country which taxes the savings income under national law. A total of around 64,000 such reports were forwarded to EU countries in 2007. As a rule, they are sent electronically, coded and protected by several passwords. In 2007, these 64,000 reports covered savings income of around 820 million francs.

Withholding tax: If the EU customer does not wish to make any such report, the bank is obliged to withhold an amount from his savings income automatically. The withholding rate is currently 20% of the savings income and will be increased to 35% as from the middle of 2011. The bank forwards the amount withheld to the Swiss tax authorities without stating the name. The authorities transfer 75% of the tax withheld to the corresponding EU country. The balance remains in Switzerland and is distributed between the Confederation (15%) and the Cantons (10%). In 2008, some 738 million francs were withheld as tax and distributed.

This system ensures that EU citizens pay appropriate tax on their savings income in all cases. At the same time, client confidentiality is preserved because the customers choosing the withholding option are not required to disclose their bank details.

Which products are covered by the Agreement?

The Agreement covers interest on various forms of investment. This concerns not only interest payments from banks but also those by, for example, asset managers. For instance, it covers interest on savings deposits, bonds or loans for business activities.

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Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Date effective: 1 July 2005

“ *The Agreement on the taxation of savings income creates major advantages for both the EU and Switzerland. The EU states receive annual tax revenue from Switzerland of around 500 million francs (2007). In return, the Agreement makes it possible to preserve full client confidentiality for customers, even for EU citizens.* ”

***Urs Ph. Roth, Chief Executive Officer
and Delegate of the Board of Directors
of the Swiss Bankers Association***



BILATERAL

Fight against fraud

Key data

Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Approval by Switzerland: 23 October 2008

Provisional implementation by Switzerland: since 8 April 2009

Smuggling and fraud in the field of indirect taxation have a damaging effect on trade, and result in a loss of tax revenue. Switzerland and the EU have signed a bilateral agreement which forms the basis for effectively combating such fraudulent activities.

Crimes related to customs duties, value added tax and consumer tax, as well as those committed in the context of granting subsidies and in public procurement are frequently organised by international groups. Switzerland and the EU cooperate closely in combating this form of organised crime. Switzerland's efficient financial centre exposes it to increased risks. It is very important not to allow the Swiss financial centre to be misused as a hub for fraudulent activities.

Smugglers defraud the state by evading customs duties, value added tax and special consumer taxes such as those on cigarettes, alcohol or oil. These taxes are indirect, which

the state levies on imports of products. Nevertheless, fraud also affects subsidies – obtained under false pretences – and public procurement.

Switzerland has committed to providing the EU with legal and administrative assistance. Swiss criminal prosecutors can order enforcement measures on behalf of the EU. These include searches, confiscation, and access to bank accounts. The fundamental principle is that Swiss authorities acting on behalf of the EU can apply the same investigative methods as would be applied in Swiss proceedings. Enforcement measures are now also possible in administrative assistance (cooperation between administrative authorities such as customs authorities) and not just in legal assistance (cooperation between judicial authorities).

The agreement does not cover direct taxes such as income tax.

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Environment

Key data

Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Date effective: 1 April 2006

Environmental and climate protection is one of the greatest challenges. Meeting this challenge effectively requires international cooperation. For this reason Switzerland is a member of the European Environment Agency (EEA).

Individual countries can send signals and play a pioneering role through strict environmental protection measures. However, such measures are considerably more effective if they are coordinated internationally, and developed and implemented jointly with other states. An important institution in European cooperation on environmental policy is the European Environment Agency (EEA) and, under its control, the European Environment Information and Observation Network (EIONET).

In what ways is environmental pollution developing? Where is there a need for action and which measures can help? Statistical data collected, for example, on climate change, air and water pollution, soil contamination, waste disposal or biodiversity, provide answers to these questions. The data is collected on a regular basis by the individual EU states and five further countries (Switzerland, Norway, Iceland, Liechtenstein, Turkey) and forwarded to the EEA. It evaluates the material collected and makes the scientific bases and results available to all countries. As an advisory and expert body, the EEA also supports political decision makers.

Swiss membership of the EEA costs approximately 2 million francs per year. However, it also enables Swiss universities or private companies and organisations to participate in EEA research programmes and to apply for support through EU subsidies.

Switzerland has its say

Switzerland is a member of the EEA and can influence the setting of priorities. The main subject areas of the EEA are climate change, biodiversity and appreciation of natural habitats, the protection of human health and quality of life as well as the use of natural resources and waste management. The objectives of the EEA are:

- Provision of selected, relevant and reliable data for political decision makers and the public
- Support for sustainable development
- Improved environmental protection.

BILATERAL

Processed agricultural products

Chocolate is the absolute Swiss export hit. The sweet treat has even succeeded in achieving a massive extension of its popularity in the EU – thanks also to the Agreement on processed agricultural products which facilitates trade in these products.

Special rules apply for trade in processed agricultural products (e.g. chocolate, soups, biscuits, pasta) because, common to all of these products is the fact that they are made of agricultural products yet are produced industrially. The Agreement on processed agricultural products, which revises Protocol no. 2 to the Free Trade Agreement, takes account of this special aspect.

The production of domestic agricultural raw materials is protected by import duties. At the same time, the Swiss food industry is supported by export subsidies. This so-called raw materials compensation mechanism balances out the (in part) considerable price differences for agricultural raw materials. The industrial processing share, on the other hand, is covered by free trade. This gives Swiss exporters the same sales opportunities as their competitors from the EU.

In order to facilitate trade further, the EU and Switzerland have agreed to lower customs duties and export subsidies on the raw materials share. The target figure is the price difference

between the Swiss and the EU level. As Swiss prices for milk, wheat and other agricultural raw materials are normally higher than in the EU, the consequences of this are as follows:

In principle, the EU no longer levies customs duties on products such as chocolate, biscuits or sweets and refrains from paying its exporters – for example Italian spaghetti exporters – export subsidies. In return, Switzerland reduces customs duties on imports from the EU, as well as its subsidies for exports to the EU, to the level of the difference in the raw materials prices.

The Agreement is a success for both sides. It is of particular benefit to the Swiss food industry: Between 2005 and 2007, exports of chocolate to the EU rose by 52% in monetary terms, those of biscuits by 29% and exports of sweets by 39%. Some 180 companies from the food industry employing around 30,000 people can benefit from this agreement. Likewise the farmers: Around half of the total milk production is used in the food industry. The Swiss food industry also uses over 50% of flour production from Swiss soft wheat and around 45% of the potato harvest.

Special status for sugar

Sugar enjoys a special status: As sugar prices in the EU and Switzerland had been almost the same for decades, it was agreed that both sides would abolish export subsidies for this commodity. Sugar in processed products enjoys free trade.

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Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Date effective: 30 March 2005

“*The Agreement on processed agricultural products is a success for the entire chocolate exporting industry. The administrative burden on our customers has also been reduced. In addition to Switzerland, our best markets are France, Germany, Italy, Austria and Scandinavia.*”

Volker Kremser, Export Manager



BILATERAL

MEDIA

The Swiss film industry has become very dynamic: more productions, more viewers, a higher profile. One of the reasons for this is the EU Film Promotion Programme MEDIA, in which Switzerland participates.

European filmmakers have difficulty competing with their US counterparts: While Hollywood films reach hundreds of millions of potential viewers in the USA, European filmmakers have the disadvantage of much smaller national markets. And even showing a film in a neighbouring country requires synchronisation (dubbing). This makes it more difficult for European filmmakers to show productions profitably in cinemas. This is also manifested in the disproportionately high market shares of American films in European cinemas.

The EU wishes to counter this. Through the MEDIA programme, it promotes above all the development and marketing of European films. Success has already been achieved: The German film "The Lives of Others", which won an Oscar for the best foreign language film in 2007, is an example of a production supported by MEDIA.

Switzerland is also involved in this programme, allowing Swiss filmmakers and producers to benefit from European training programmes. They can apply for money for the development of film projects, the marketing of movies and participation in audiovisual education and further training programmes. The programme also facilitates participation in film festivals. This enables Swiss filmmakers to present themselves more effectively.

Since the start of Switzerland's participation in MEDIA, over 60% of the requests for support from Swiss filmmakers have been accepted. This percentage is high by European comparison. In 2006 alone, Swiss filmmakers received 1.25 million francs for the development of film projects. The MEDIA programme has funds of 755 million euro available for the period 2007 to 2013. Switzerland's contribution is approximately 10 million francs per year. The agreement must be renewed for each new programme generation, i.e. every seven years.

**Key data**

Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Date effective: 1 April 2006

Signature of the renewed agreement: 11 October 2007

“Without MEDIA programmes, life would be even more difficult for the Swiss film industry. We are dependent on being able to organise co-productions with neighbouring countries. To gain access to a sufficient public, we also require marketing support. Thanks to MEDIA, I was able to take part in further training for producers and was chosen as “producer on the move” at the Cannes Film Festival – a programme for promoting young producers. We received financial support for both the film “My Brother is Getting Married” by Jean-Stéphane Bron, as well as for “Home” with Isabelle Huppert. “Home” is a co-production between Switzerland, France and Belgium, directed by Ursula Meier from Switzerland, and was shown in Cannes.

Elena Tatti, Producer



Pensions

Key data

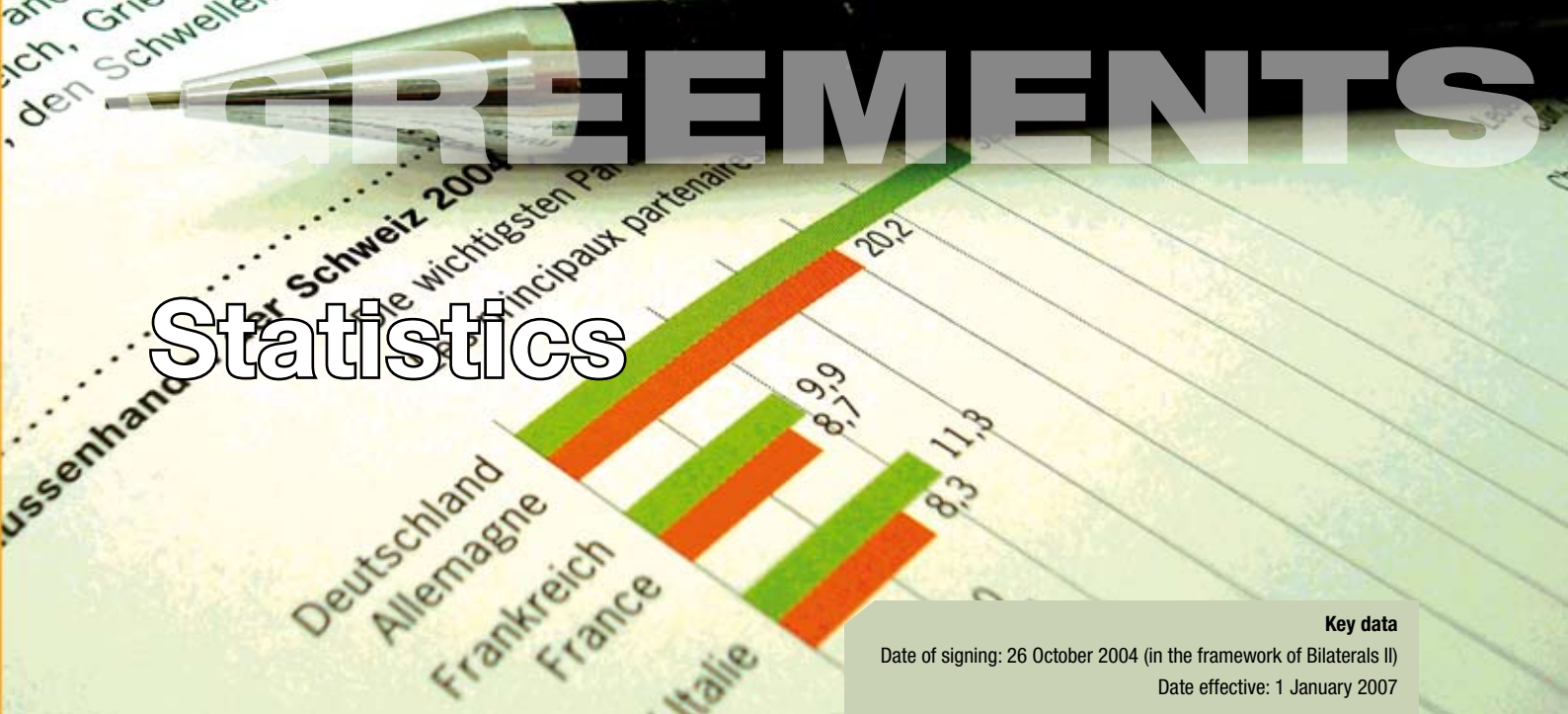
Date of signing: 26 October 2004 (in the framework of Bilaterals II)

Date effective: 31 May 2005

In the past, retired EU officials wishing to spend their retirement in Switzerland were at a disadvantage: their pensions were liable to double taxation. The Bilateral Agreement on pensions between the EU and Switzerland has eliminated this discriminatory treatment.

The Agreement only affects around 50 people, but rectifies a problem that has existed for many years. The EU levies a source tax on the pensions of former EU officials. And, in the past, Switzerland again charged pensioners residing in Switzerland income tax on the remaining amount. The Bilateral Agreement between Switzerland and the EU has removed this double taxation as Switzerland has waived the second taxation. Nevertheless, the tax-exempt pensions can be taken into account when determining the tax rate applicable to other taxable income of the pensioners.

This ruling only affects former officials of EU institutions with their place of residence in Switzerland. EU institutions are the European Parliament, the European Commission, the Council of the European Union and the European Court of Justice.



Key data

Date of signing: 26 October 2004 (in the framework of Bilaterals II)
Date effective: 1 January 2007

How well is Switzerland positioned as a business location compared with its European competitors? How are wages and unemployment levels or traffic volumes developing compared with other European countries? The Bilateral Statistics Agreement enables a broad-based comparison of data from Switzerland and the EU.

Until recently – from a statistical point of view – Switzerland was hardly visible in Europe. It was not until the Statistics Agreement that data collection was harmonised with the EU and comparability of the data improved. This gives Switzerland access to pan-European figures and means that Switzerland now appears in Europe-wide statistics. This visibility is important. A concern, for example, wishing to locate in Europe uses information on the various countries as a basis for its decisions. Today, analyses based on statistical evaluations are also indispensable for making well-founded political and economic decisions. This is of relevance in the following areas, among others:

Transport: Data on traffic flows enables a more precise orientation of Swiss transport policy. For example, given the aim of transferring freight traffic from the roads to the railways, precise information on the type of heavy goods vehicles on Swiss roads is important to determine the heavy goods vehicle tax (HGV tax).

Socio-economic statistics: Level, structure and development of employment, unemployment and poverty can be compared on a Europe-wide basis. Such comparisons help in the search for political solutions.

The collection of national data is still the responsibility of the statistics offices in the individual countries. They verify and analyze the statistics before forwarding them to Eurostat in Luxembourg. Eurostat cooperates with the 27 EU member states, with Switzerland, Norway, Iceland, Liechtenstein as well as with various Mediterranean countries and some other partner nations.

Switzerland contributes approximately 5 million francs a year to the costs of Eurostat; in return, Swiss data is also published. Switzerland also receives access to the entire statistical material of the EU. In addition, Switzerland is able to participate in the training programme for European statisticians, and universities as well as the Federal Statistical Office can take part in European research programmes.

Education, vocational training and youth

Switzerland's most important resource is brain power. Education and vocational training are therefore important prerequisites for Switzerland's prosperity. Participation in the EU education, vocational training and youth programmes aims to extend and improve training opportunities.

Since the 1990s, Switzerland has participated in various EU education, vocational training and youth programmes. In 2004, Switzerland and the EU agreed that this cooperation should receive legal backing through a bilateral agreement.

The aim of the EU education programmes is to improve opportunities, quality and mobility in the field of education, vocational training and youth initiatives. Among other things, this involves student and youth exchanges offering initial work experience abroad, the networking of educational institutions,

the further training of teaching personnel, as well as the encouragement of cross-border youth activities. Schoolchildren, apprentices, students as well as adults can gain experience and establish contacts abroad. They gain access to a wider range of learning opportunities. This increases their chances on the labour market. Additionally, the Swiss economy benefits from well-trained experts.

The best known programme is the "Erasmus" university programme, part of the EU "Lifelong Learning Programme": Students can spend one to two semesters at a university in another country. This period is credited to their studies. In the 2006/2007 academic year, 2118 students from Switzerland spent one or two semesters at a foreign university. In 2007, Switzerland spent a total of around 14 million francs, among other things on financing time abroad for some 5400 young people for studies, apprenticeships or professional internships.

Internships, adult education and youth programmes

The programmes include further interesting offers in addition to the known student exchanges. Examples are:

Internships: Young Swiss people who have completed an apprenticeship, graduates or students can do internships in an EU country. In return, young EU citizens can come to Switzerland. In 2007, 240 young Swiss benefited from this opportunity; 160 young EU citizens came to Switzerland. Most internships are offered in the service sector.

Adult education: Various projects promote adult further education, including one for adult educators, with the aim of enabling adults from so-called less-well-educated groups to gain access to further education.

"Youth in Action" supports cross-border projects based on self-initiative. As an example, groups from five countries came together for the European Footbag Camp, which offered cultural workshops in addition to numerous sporting activities.

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Official participation in two EU education programmes up until 1995:
since then, indirect participation in programmes on a project basis.
Negotiations concerning official participation since 9 April 2008

“ I spent seven months at Bologna University. As a law student, I attended lectures on Italian Constitutional Law. This opened up my understanding of Swiss Constitutional Law. An important aspect, however, was no doubt going to a completely new place as a young person and having to organise everything – absolutely everything – myself. And all that in a foreign language! I received financial support of 250 francs per month from Switzerland. I am now writing my master’s thesis on reporting requirements under the Stock Exchange Act, and am starting an internship with a law firm – they saw the fact that I have spent time abroad as a positive factor.

Simona Liechti, law student



Questions and answers

Will Swiss European policy necessarily lead to membership of the EU?

No. EU membership is one of a number of options. For the Swiss Federal Council, however, it is not currently on the agenda. The Federal Council favours the “bilateral path”: It is of the opinion that Swiss interests are currently best achieved through the conclusion of bilateral agreements in clearly defined areas of interest such as trade, internal security or the environment. So far, this path has been successful for Switzerland. Relations with the EU have never been as close as today, economic exchanges are in excess of one billion francs per day. This intensive cooperation is based on a contractual framework of around 20 main and over 100 subsidiary agreements.

What are the pros and cons of the bilateral path?

One advantage is that the bilateral approach enables tailor-made cooperation in those areas in which Switzerland and the EU have mutual interests. For example, the reciprocal opening of markets, participation in EU programmes and agencies (for instance in the fields of research, the environment and film promotion) or cross-border cooperation in police and judicial matters. At the same time, Switzerland can develop and retain its own regulations in other areas which deviate from the EU rulings if this is in its interests, for example in trade and monetary policy or in the financial and labour markets.

The disadvantages include the fact that Swiss companies are still suffering to a certain extent as a result of the incomplete opening of markets – for instance in the important service sector. A further problem is that Switzerland has no power to influence the development of EU regulations although these often have a major effect on the country.

What are the pros and cons of EU membership?

One advantage would be the complete economic integration of Switzerland into the EU single market. Swiss companies would be on a completely equal footing with their European competitors in international markets. In addition, Switzerland would have full power to influence decisions as a member state with equal rights.

Disadvantages would be, on the one hand, economic consequences such as higher interest rates (loss of the interest bonus) and relatively high mem-

bership contributions (net payments of 3.4 billion francs a year). Referendums and initiatives could be retained. Nevertheless, the material area of application would be restricted in part.

Why does the Federal Council not withdraw the “frozen application for EU membership” in Brussels?

The “application for EU membership” consists of letters dated May 1992 in which the Federal Council requested the starting of membership negotiations. As early as January 1993, the Federal Council explained that Switzerland was postponing the start of membership negotiations until further notice. These letters do not constitute a legal instrument but merely a political statement. Consequently, withdrawal is not possible in the legal sense. In addition, the so-called “frozen application” dating back more than 15 years has no practical effect whatsoever. In the event of Switzerland wishing to start membership negotiations with the EU, it would certainly have to send a new letter to the EU. This is because today’s EU is no longer identical to the EC of 1992. The Federal Council therefore sees no reason to comply with requests for “withdrawal” of the application for membership. This is also the position of parliament which has so far rejected all attempts to obtain withdrawal of the application for EU membership.

Is there a future for the bilateral path?

The bilateral path is not a simple option: the search for solutions with a Union of 27 member states is not always easy. Up to now, however, acceptable solutions which satisfy important interests of both sides have repeatedly been found in terms of economic relations as well as in political areas such as security, asylum and the environment. Continued success of the bilateral European policy in the future requires certain prerequisites. Firstly, Switzerland must retain sufficient room for decision-making in its relations with the EU. Secondly, the EU must retain its willingness to search for solutions with Switzerland within the framework of bilateral agreements. And thirdly, the economic framework conditions must not change to the detriment of Switzerland.

Is everything that the EU decides “implemented autonomously” in Switzerland?

No. Switzerland is not obliged to implement EU law. It adapts its regulations to EU law where this is in its interests. This is the case, for example, if differences between Swiss and EU regulations create trade barriers and

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thus put Swiss companies at a disadvantage compared with their European competitors, or if Swiss law is adapted for reasons of health protection, product safety or legal security. Nevertheless, there are also sensitive areas in which Switzerland consciously retains deviating regulations, for example, regulations concerning the transport of animals or genetically modified food, in patent law or fiscal matters.

Why are new negotiations constantly being held with the EU?

Negotiations are only held if there is a mutual interest in a negotiated solution. The numerous negotiations and agreements between Switzerland and the EU are an indication of the major interdependence of interests in this partnership. This is not surprising: Switzerland is situated in the middle of Europe from a geographical perspective. Accordingly, the EU is by far the most important trading partner of Switzerland, and Switzerland is the third most important market for EU products (2008). The pressing problems in areas such as transport, the environment, migration or crime and asylum are transnational – meaning that there is also a need for transnational solutions to be negotiated. Besides, many negotiations are not about new subjects but rather about the further development of existing agreements. Looking after existing “bilateral achievements” is in itself an ambitious programme: some agreements have to be renewed, others adapted to changing circumstances or extended to include new countries. Negotiations concerning new subject areas are held whenever there is a demonstrable mutual interest. In Switzerland, the Federal Council, Parliament and, if necessary, the people decide on whether a new agreement should come into force.

Who decides whether Switzerland wishes to conclude a new agreement with the EU?

If a treaty results in new laws or important amendments to laws, the Swiss Constitution states that the decision always rests with parliament and – in the event of an optional referendum – with the people. In clearly defined areas which, in turn, require the approval of parliament, the Federal Council can decide by itself.

How much does Switzerland pay the EU for the bilateral path? What would be the cost in the event of EU membership?

If one adds up the various contributions paid by Switzerland for participation in the different EU programmes, agencies and cooperation arrangements as part of the bilateral agreements, and if one also includes the enlarge-

ment contributions towards the reduction of economic and social disparities in the enlarged EU, Switzerland’s annual payments to the EU amount to just under 600 million francs. Switzerland’s net contribution in the event of EU membership would probably be considerably higher at around 3.4 billion francs (based on 2006 calculations). In both cases, however, funds also flow back into Switzerland.

The EU is striving to reduce inequality in Europe. Is Switzerland involved in this?

Switzerland is making a solidarity contribution towards the development of a stable, democratic and economically prosperous Europe. It does so autonomously and as a partner of the EU. For example, through its involvement in the peace-keeping missions in the former Yugoslavia or as a long-standing member of the Council of Europe campaigning for human rights. The former communist states of Eastern Europe are provided with support for their democratic and market economy reforms as part of the East Assistance. Through its enlargement contributions, Switzerland is helping to reduce economic and social inequalities in the enlarged EU. Finally, through the New Transalpine Rail Link (NEAT), Switzerland is making an important contribution towards linking northern and southern Europe, as well as towards an environmentally friendly transport policy in Europe.

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