

# Europe policy: framework agreement would secure and further develop the bilateral path

Standpoint of the Swiss mechanical and electrical engineering industries (MEM industries)

## Overview

- **60% of goods exported by the MEM industries go to the EU. This makes it by far the biggest market for these Swiss industrial companies. The bilateral agreements are an optimal solution giving Switzerland access to the EU's single market with virtually no discrimination. This position must be defended.**
- **The uncertainty that has persisted for several years now over Switzerland's future relationship with the EU affects legal certainty. The current situation is unsatisfactory. Several dossiers relevant to the bilateral path have been held up because they have been blocked or delayed by the EU. The longer the wait, the greater the economic cost to Swiss companies.**
- **The MEM industries have a keen interest in sorting out the existing issues with the EU and placing relations with their largest market on a stable footing that is sustainable in the long term. There must be no potential for arbitrary sanctions to be imposed by the EU: a functional dispute resolution mechanism is required.**
- **Swissmem demands that the conditions be created for Switzerland not only to continue its bilateral path but to develop it further. Swissmem therefore urges the Federal Council to bring the negotiations on a framework agreement with the EU to a conclusion. Once a draft agreement has been produced, Swissmem will scrutinize it in detail. Under no circumstances must EU law be automatically adopted. Swiss sovereignty must be preserved.**

## 1. Benefits of the bilateral path

60% of the goods exported by the MEM industries go to the EU. This makes it by far the biggest market for these Swiss industrial companies. The bilateral agreements (Bilateral I) are an optimal solution giving Switzerland access to the EU's single market with virtually no discrimination.

However, the current situation is unsatisfactory. There is uncertainty over Switzerland's future relationship with the EU. Since 2008 the EU has called for an institutional framework agreement. Although negotiations have been underway since 2014, there is still no common understanding on key issues such as the interpretation of agreements and dispute resolution. For several dossiers the achievement of a common solution has been held up due to being blocked or delayed by the EU (latest example: recognition of Swiss stock market equivalence). This has created legal uncertainty for the Swiss economy.

## 2. Institutional framework agreement is necessary

This situation shows that the status quo is not an option for the future. The longer the wait and the more arbitrary sanctions the EU imposes, the greater the legal uncertainty for Swiss companies. This situation has a negative effect on investment in Switzerland and could lead to the migration of manufacturing businesses.

The MEM industries do not want EU accession. However, they have a keen interest in settling the existing issues with the EU and putting relations with their largest market onto a stable footing that is sustainable in the long term. This would counter the imposition of arbitrary sanctions and regulate dispute resolution.

A framework agreement would also offer the opportunity to negotiate additional Market Access Agreements. Moreover, the industries believe it is necessary to conclude a trade agreement on electricity to secure the supply of electricity to Switzerland during the winter.

Such agreements will support, maintain and further develop the bilateral path. None of the alternatives are desirable. Therefore the Federal Council should work to ensure that the negotiations on a framework agreement come to a swift conclusion with a good outcome for Switzerland.

## 3. No automatic adoption of EU law

Swissmem believes the ideal cornerstones of an institutional framework agreement are as follows:

From a formal point of view, there must be no dilution of Swiss sovereignty. The process for adopting EU law must be simpler and more dynamic. Under no circumstances, however, must the adoption of EU law be automatic.

Monitoring compliance with the agreement should be the responsibility of the contracting parties. The Joint Committee should remain responsible for the interpretation and discussion of differences. In the event of a dispute, an independent court of arbitration should decide on the appropriateness of any sanctions. The bilateral agreements must be the only basis for this. Moreover, the recognition of equivalent rules must continue and relations with third countries must not be affected.

## 4. Conclusion

In the light of this situation, efforts should be made to conclude a framework agreement with the EU and, depending on the details of the agreement, it should be supported. This will avoid further damage to the Swiss economy. Legal certainty will resume. The bilateral path will be secured and continue to be developed.

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