

# What if there is no Institutional Framework Agreement (IFA)?



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- As time passes, **the agreements are ageing**: the EU and Switzerland Free Trade Agreement (FTA) was concluded 50 years ago, while the Bilateral I and Bilateral II agreements were concluded already 20 years ago.
- Without the Institutional Framework Agreement, **no new agreements with Switzerland will be concluded and the existing agreements may not be updated**.
- Without a modernisation of these existing agreements, the relationship between Switzerland and the European Union **will simply erode** over time.

## Some concrete consequences:

### People

#### Free movement and labour mobility



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#### Some key figures

- More than **1.4 million EU citizens** were residing in Switzerland in 2020. Around **400,000 Swiss nationals** were residing in the EU in 2020.
- The Swiss citizens residing in the EU represent about 4.6% of the total Swiss population (8.6 million) while the EU citizens residing in Switzerland represent 0.3% of its population (448 million).
- 19% of the resident working age population in Switzerland have **EU citizenship**.
- 37% of the Swiss inhabitants above 15 years have a non-Swiss background, in the large majority from an EU country.
- There are around **344,000 foreign cross-border commuters** working in Switzerland. They contribute substantially to the **high economic performance of the regions around Lake Geneva, Northern Switzerland and Ticino**. **Two-thirds of the cross-border commuters are working in the service sectors**.
- 37.4% of doctors working in Switzerland come from abroad (or have a foreign diploma) in 2020, among which 34.5% work for the private practice and 40.5% for hospitals. **The majority of foreign medical professionals come from Germany (52.6%), followed by Italy (9.1%), France (7.1%) and Austria (6 %)**.
- **These tendencies are growing**: Swiss households and companies **rely more and more on service workers posted from neighbouring countries**. The manufacturing and construction industries together account for about two thirds of the postings.
- **Gastronomy is the sector that depends most on non-Swiss nationals**. Around 45% of the workers in this sector do not have Swiss citizenship. Other sectors in which non-Swiss citizens constitute a remarkable large group are construction (35%), manufacturing industries (30%) and information and communication (30%).

## ⊗ No possibility to join forces in the fight against social dumping

- Switzerland will not have the possibility to fully participate in the operations of the newly established **European Labour Authority**, such as the participation of Swiss enforcement bodies in joint inspections.

## ⊗ Limited possibility to sanction the fraudsters

- Today, Switzerland does not have access to the **Internal Market Information system** for administrative cooperation with EU Member States. This system greatly facilitates the implementation and application of the EU posting rules and helps to effectively enforce fines in cross border situations.

## ⊗ Losing access to EURES services

- EURES is a European cooperation network of employment services, designed to facilitate the free movement of workers. Thanks to its portal, companies and workers/jobseekers from the EU and EFTA countries have access to more than 3 million job vacancies and 800,000 CVs of motivated job seekers.



## | Trade

### Some key figures

- The EU is **Switzerland's most important trading partner accounting for almost 50% or about €126 billion of its imports of goods and about 42% or some €114 billion of its exports of goods.**
- Switzerland is the **EU's fourth largest trading partner after China, the U.S. and the UK.** The Swiss market represents about 7% of EU exports and 6% of its imports.



- Switzerland trades more with its neighbouring regions in Austria, Germany, France and Italy (around €80 billion per year) than with the BRICS (Brazil, Russia, India, China, South Africa) countries combined (around €63 billion per year).
- Switzerland trades more with Grand Est/Bourgogne-Franche-Comté/Auvergne-Rhône-Alpes than with Japan.
- Switzerland trades more with Valle D'Aosta/Piemonte/Lombardia/Trentino-Alto Adige than with Japan.
- Switzerland trades more with Baden-Württemberg/Bayern than with China.

- According to some studies, **Switzerland is the single biggest per capita beneficiary** of the Single Market, among all EU and EFTA countries.<sup>1</sup>
- **Switzerland is estimated to gain between 20 and 30 billion Swiss francs** (€18-27 billion) per year from its bilateral relations with the EU.<sup>2</sup>
- According to a Swiss Economic State Secretariat - SECO - study from 2015, **the loss of the bilateral agreements would reduce Switzerland's GDP by 460 billion to 630 billion Swiss francs** (€425-€580 billion) for the period 2018-2035.<sup>3</sup>

<sup>1</sup> [https://www.bertelsmann-stiftung.de/fileadmin/files/BSI/Publikationen/GrauePublikationen/EZ\\_Study\\_SingleMarket.pdf](https://www.bertelsmann-stiftung.de/fileadmin/files/BSI/Publikationen/GrauePublikationen/EZ_Study_SingleMarket.pdf)

<sup>2</sup> <https://www.economiesuisse.ch/fr/dossier-politique/la-valeur-de-laccord-institutionnel>

<sup>3</sup> [https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik\\_Wirtschaftliche\\_Zusammenarbeit/Wirtschaftsbeziehungen/Wirtschaftsbeziehungen\\_mit\\_der\\_EU/wirtschaftliche-bedeutung-der-bilateralen-i-volkswirtschaftliche-auswirkungen-eines-wegfalls-der-bilateralen.html](https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Wirtschaftsbeziehungen_mit_der_EU/wirtschaftliche-bedeutung-der-bilateralen-i-volkswirtschaftliche-auswirkungen-eines-wegfalls-der-bilateralen.html)

## Trade in medical devices

### Some key facts and figures

- Switzerland is closely integrated in the European Union internal market for medical devices through the **Mutual Recognition Agreement**, which provides for recognition of conformity assessment certificates between the European Union and Switzerland based on equivalent regulations. This facilitates seamless trade of essential medical devices between the parties, including technological and innovative solutions for health care and patients.
- **Switzerland** exports 46% of its medical devices to the EU and imports 54% from the EU, (while the EU imports 10% of medical devices from Switzerland and exports only 5% of medical devices to Switzerland). The Mutual Recognition Agreement is one of the **five agreements within the** scope of the Institutional Framework Agreement.

### ⊗ Less frictionless trade may lead to loss of opportunities for the medical devices sector

- The new EU regulatory framework for medical devices was adopted in 2017 and will be applicable as from 26 May 2021. Therefore, the relevant chapter of the Mutual Recognition Agreement must be updated accordingly.
- In the absence of a deal on the Institutional Framework Agreement, a full update of the Mutual Recognition Agreement cannot be considered.
- Although the European Union does not expect large **disruptions** in the health sector during the current coronavirus pandemic, the EU has proposed to Switzerland as a precautionary measure to consider a limited **amendment to the Mutual Recognition Agreement** which would grant a transition period for existing Swiss certificates until 2024 (at the latest) and the same transitional validity for certificates issued in the EU.
- New Swiss medium and high-risk devices will have to be approved by **certification bodies** established within the EU.
- **Swiss authorities would also lose the possibility to participate directly in the work of the groups** that decide on the common implementation of legislation related to product and patient safety.
- Negotiations are still ongoing to reach an agreement as close as possible to the deadline (26 May) and facilitate the transition for legacy medical devices.



## Trade in Agricultural products

### Some key facts

As the **agreement on trade in agricultural products is ageing**, and no regular update has been made in several years for **certain products imported from third countries destined to Switzerland and transiting EU territory** (such as vegetables and fruits), some recent provisions relating to those products **are not included in the agreement**. These new provisions notably impose **border controls** of these products in the first Member State they are entering into. As these provisions are not yet included, the first Member State does not perform relevant **border control** of these products when transiting into their land before reaching Switzerland. Switzerland needs to carry-out these controls, which requires organisation and money. In addition, **the documents mentioned in the agreement are no longer valid**, and new guarantees for certain products, such as tomatoes have not yet been inserted, which creates risks for trade as accompanying documents could be legally not accepted by the country of destination.



## ⊗ More difficulties for food imports

- Without the extension of the scope of the Trade in Agricultural Products Agreement to the whole food chain, issues **such as food labelling** will remain not harmonised, which discourages Small and Medium Enterprises from exporting from Switzerland into EU Member States and reciprocally.
- Not upgrading the agreement towards further liberalisation will deprive Switzerland of the opportunity to negotiate better market access for some agricultural products, notably **meat and dairy, where access is today limited**.

## | Health

### ⊗ No participation in EU mechanisms/Agencies

- A public health agreement cannot be contemplated without the conclusion of the Institutional Framework Agreement). Without it, Switzerland cannot participate in:
  - The **European Centre for Disease Prevention and Control**, which provides scientific support, experts, analysis of variants, and assessment of the situation in the EU/EEA;
  - **Joint Procurements for purchase of protective equipment, treatments, diagnostics** etc.;
  - **An e-health network** that gives, for example, technical specifications for the interoperability of COVID-19 tracing apps (no participation possible in the technical work);
  - **The EU4Health Programme** that will finance many of the preparedness and response activities to COVID-19;
  - **The future** European Health Emergency Preparedness and Response Authority (HERA), which will enable rapid availability, access and distribution of countermeasures;
  - The **European Reference Networks for Rare Diseases** that allows for coordination and exchange in the treatment of patients.



## | Internal energy market

### Some key facts

- Switzerland **relies for almost half of the year (in winter) on electricity imports from neighbouring countries**.
- **Electricity cooperation with Switzerland has become even more important since Switzerland decided to decarbonise its electricity production, and therefore produce more electricity from renewables**. Variable energy production requires aggregation over larger regions, in order to be able to sell surplus production and to buy electricity from neighbours when needed.

### ⊗ Risk of losing its privileged connection with the EU electricity system

- Without agreeing to the common rules, Switzerland would have to leave EU electricity trading platforms and cooperative platforms for grid operators or regulators, and would gradually lose its privileged connection with the EU electricity system.
- Less connection and less cooperation would make the Swiss energy system less efficient.

## Air transport



### ⊗ Difficulties for air carriers

- The lack of an Institutional Framework Agreement is **hampering the further access of Swiss air carriers to EU's Internal Market**.
- New agreements should ensure notably that air carriers on both sides are allowed to do **cabotage** (e.g. Swiss carriers flying between points inside France; German carriers flying between points in Switzerland) or **“triangular traffic”** (flights between the EU, EEA/ EFTA states and Switzerland).

! In the current situation, a Swiss carrier can still not fly between e.g. Paris and Oslo or Reykjavik.

**Conclusion: Our economies and societies are mutually benefiting from a deep relationship and are very much mutually interdependent. A lack of agreement on the Institutional Framework Agreement would have negative consequences for both parties. But the single market will remain the largest of the world.**

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