

Trimester Report on the Status of the Bilateral Relationship between Switzerland and the EU

Erosion Monitor

On 26 May 2021 the Swiss Federal Council broke off negotiations with the European Union (EU) on an institutional framework agreement (InstA). What are the consequences if the EU internal market continues to develop without the current bilateral agreements being updated or new ones being signed? Is there the risk that the bilateral approach, which so far has been a success, will erode? In the first edition of its trimester report on the state of the bilateral relationship between Switzerland and the EU, Avenir Suisse provides information on identifiable cases where cooperation is eroding, on the risk of further impairments, and on unharnessed potential for cooperation, as well as defining cornerstones for a future European policy.

The bilateral approach not only secures Switzerland access to the European internal market; so far it has also enabled it to participate in certain sectors on almost an equal footing. In light of the benefits of this framework, there is conscious acceptance of the fact that adopting the relevant EU single market legislation entails a transfer of sovereignty.

For some time, however, politicians have been struggling to regulate the terms of future cooperation with the EU. On 26 May 2021, the Federal Council unilaterally broke off negotiations on the InstA. The aim is to continue or maintain the status quo. Given that the EU single market continues to evolve in terms of regulation. However, according to current EU doctrine, without an InstA the current bilateral agreements should no longer be updated and no new agreements should be concluded; this has prompted fears in Switzerland of an erosion of the bilateral approach.

Considerable Risks

The first edition of Avenir Suisse's trimester report on the status of the bilateral relationship between Switzerland and the EU provides information on the regulatory gap between the successively deepening internal market and the static bilateral treaties by monitoring erosion: on already discernible impairments to cooperation, on the risk of bilateral erosion, and on untapped potential for cooperation.

However, the ongoing development of the EU internal market entails not only market openings, but also new regulations, the effects of which must be assessed from a liberal free market perspective.

Future-ready European Policy in Five Steps

The interdependence of Swiss companies, workers, researchers, and students with EU member states is too important to allow bilateralism to erode. A sustainable Swiss European policy should therefore be based on five steps:

1. Create clarity on Switzerland's understanding of its own sovereignty
2. Strengthen and energize the bilateral approach with a "Bilaterals Plus" package
3. Ensure the parties are focused on the commonalities of European policy
4. Open up the Swiss internal market and abolish customs duties
5. Exploit foreign trade potential beyond the EU internal market.

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