



# 40th anniversary of the free trade agreement between Switzerland and the EU



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**40TH ANNIVERSARY  
OF THE FREE TRADE AGREEMENT  
BETWEEN SWITZERLAND  
AND THE EUROPEAN UNION**

**The Free Trade Agreement between Switzerland and the European Union was concluded 40 years ago, yet its impacts continue to be widely felt today. Goods worth around one billion Swiss francs cross the border between Switzerland and the EU every day — goods that are used in a broad variety of industries and business sectors, as well as by EU and Swiss consumers in their homes and at their workplace. This brochure presents a variety of everyday situations to illustrate the scope of trade between Switzerland and the EU, and how companies as well as consumers benefit from it on a daily basis.**

- 
- 2 FOREWORD**   
Jürgen R. Thumann and Gerold Bühler  
**40 years of swiss–EU relations:  
looking back and looking ahead** 
- 
- 6 VIEW OF EUROPEAN POLITICS**   
José Manuel Barroso  
**free trade: the basis for a vital relationship**
- 
- 9 VIEW OF SWISS POLITICS**   
Johann N. Schneider-Ammann  
**finding an enlarged home market**
- 
- 14 VIEW OF EUROPEAN ENTERPRISES**   
Statements from European entrepreneurs  
**boundless opportunities** 
- 
- 18 RETROSPECTIVE**   
Pierre Languetin  
**the guidelines were clear:  
independence and neutrality**
- 
- 22 GLOBAL VALUE CHAINS**   
Peter Flückiger  
**cross-border genesis of a product** 
- 
- 26 OVERCOMING CHALLENGES OF THE FUTURE**   
Helmut O. Maucher  
**future challenges from an  
entrepreneurial point of view** 
- 
- 34 VIEW OF A SWISS ENTERPRISE**   
Christoph Tobler  
**free trade agreements help to cope with crisis**
- 
- 36 VIEW OF A EUROPEAN ENTERPRISE**   
Paul Polman  
**free trade agreements deliver tangible benefits  
for economic and social development**
- 
- 40 OUTLOOK**   
Philippe de Buck and Pascal Gentinetta  
**europe's future is a competitive economy** 
- 
- 44 CLOSING WORDS**   
Jan Atteslander  
**40th anniversary of the free trade agreement:  
a splendid partnership** 



## FOREWORD

# 40 years of swiss–EU relations: looking back and looking ahead

The Free Trade Agreement (FTA) between Switzerland and the EU forms the basis for an intense economic exchange between the two economies: a time to celebrate, but also to reflect on the future.



Forty years ago, a free trade agreement between the Swiss Confederation and the European Economic Community was signed, ushering in an era of intense political and economic cooperation for the growth of companies and jobs. Swiss and EU businesses have thrived under this flourishing relationship to the extent that, for many companies, the European Union and Switzerland now almost function as a single market. In the meantime, two major updates to the original agreement were carried out in 1999 and 2004 to significantly expand single market principles across our borders. But we need to do even more, and even better.

Since companies regard the EU and Swiss economies to function as a single market, they will face similar challenges in the future: challenges such as how to drive economic growth, how to gain access to global markets, how to be sure of having sufficient skilled personal to expand, and how to persuade our governments to adopt regulation in favour of competition. Together, BUSINESSEUROPE and economiessuisse are fighting to obtain the right answers to the questions being asked by companies.

To achieve this we need strong support from the EU and the Swiss government. Together, our economies can intensify economic integration to drive growth and prepare for increased competition from emerging markets. Forward-looking employment and migration policies will help our companies and our citizens find their niche in a more competitive global labour market. Better regulation will give our companies a cutting edge in dealing with societal challenges and boosting quality and productivity.

We look forward to a dynamic economic relationship between the EU and Switzerland which will help us find solutions to the challenges we face. I view the prospect of another forty years of cooperation with a great deal of enthusiasm.

Jürgen R. Thumann, President of BUSINESSEUROPE



In 1972 I was just about to finish my studies. At that time the war in Vietnam, the last flight to the moon by Apollo 17 and the Cold War dominated the news. The French-British Concorde project was the most visible example of innovating economic cooperation. Other events in 1972 were far less visible, for example the maiden flight of the Airbus 300 or the signing of the Free Trade Agreement (FTA) between Switzerland and the European Economic Community. Sometimes it is the less visible developments that have a lasting effect: The A300 was the beginning of what has evolved into one of today's leading manufacturers of passenger aircraft, and the Free Trade Agreement between Switzerland and the EEC has led to intensive economic integration.

In fact, the 1972 FTA is still a success story: The EU market accounts for 60 percent of Swiss exports, and Switzerland is the EU's third most important trade partner. In total, the EU has a balance of trade surplus in goods and services of around 40 billion euros per annum. But the bilateral ties are by no means limited to trade. Switzerland also contributes towards the integration of the new member states, research programmes and border controls. The creation of the single European market in the late nineteen eighties not only helped overcome "Eurosclerosis", it was also the bedrock of the reunification of Europe. Although Switzerland did not join either the EU or the EEA, there were positive spill-overs. Switzerland introduced the same market reforms as the rest of Europe. And while our country now enjoys topping global competitiveness rankings, it was to a large extent the European example of deregulation and liberalisation that initiated the reforms in the early nineteen nineties.

Today we need market reforms more than ever in order to promote sustainable growth and maintain high employment rates. Switzerland does not pretend to be the schoolmaster for Europe, but we are being asked ever more frequently how our debt brake, federalism, dual education system, social partnership and even direct democracy work. EU member states and the EU itself are in a phase of intensive macroeconomic reform. As a first step, Europe needs to find a way to bring national budgets under control. Despite its recent success, Switzerland also needs to implement major reforms, particularly in the energy, communications and transport sectors.

We are convinced that based on a mutual understanding at the political level we will find suitable solutions with regard to the institutional challenges facing our bilateral agreements.

Gerold Bühler, President of *economiesuisse*







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Contribution by Peter Flückiger  
and Mirjam Matti Gähwiler

Sources: Swiss Federal  
Customs Administration,  
[www.newspaperaward.org](http://www.newspaperaward.org)

# need to improve market access in the services sector



In both Switzerland and the EU, the services sector accounts for more than 70 percent of gross value added, yet high barriers still hamper reciprocal market access. While a comprehensive cross-sector agreement would give rise to enormous administrative outlay, a contractual improvement for financial services could be of mutual benefit, as long as clear conditions are defined.



**COFFEE** Coffee plantations require a balanced climate with temperatures between 18° and 25° C. The mean annual temperature in Switzerland is only 7° to 9° C, so it is not possible to grow coffee here. Nonetheless, in 2011 Switzerland exported coffee to the EU worth around 1.3 billion Swiss francs, mostly in the form of capsules.



**ELECTRICITY** In 2011, Switzerland imported electricity from the EU worth 4.7 billion Swiss francs, and exported electricity to the EU totalling 5.7 billion Swiss francs. Negotiations on a bilateral agreement on electricity are in progress. The main concern for both sides is supply security in a liberalised environment.



**CONSUMER ELECTRONICS** Approximately 83 percent of computer monitors and mouse devices imported into Switzerland in 2011, totalling 708.4 million and 103.6 million Swiss francs respectively, came from the EU.



**TELEPHONE** Mobile telephony is the primary communication access path in Europe. According to the OECD, Estonia has the highest mobile phone density in Europe with 2.03 subscriptions per inhabitant, compared with 1.19 in Switzerland and 0.95 in France.



**ELECTRIC MOTORS** In 2011, Swiss duty-free exports of electric motors to the EU amounted to 804 million Swiss francs, or around 70 percent of the total exports of these products.



**NEWSPAPER** The 2011 "European Newspaper of the Year" awards went to Norway (HORDALAND, Best Local), Germany (BERLINER MORGENPOST, Best Regional), Denmark (BERLINGSKE, Best Nationwide) and Switzerland (NZZ AM SONNTAG, Best Weekly).


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# free trade: the basis for a vital relationship

Forty years after its signature,  
the Free Trade Agreement between the  
European Union and Switzerland  
continues to be one of the keystones of  
a vitally important partnership.

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Contribution by  
José Manuel Barroso,  
President of the  
European Commission

The 1972 Free Trade Agreement with Switzerland was the first of its kind concluded by the then European Economic Community with a partner country. This is no surprise. Switzerland lies in the heart of Europe. She has always pursued very close economic relations with her neighbours. And in the course of the last decades, we have seen a steady increase in trade exchanges not only with Switzerland's traditional commercial partners, but with practically all EU Member States.

Thus, the 1972 Agreement can rightly be called the foundation on which trade between the European Union and Switzerland has flourished over the past four decades. It has been key to the broad integration of the Swiss economy with that of the wider European Union. Today, Switzerland is the third largest economic partner of the EU, after the USA and China, but before Russia and Japan. In turn, the EU is Switzerland's key market, absorbing more than 60 percent of its exports. Mutual trade is worth one billion Swiss francs per day. This achievement — to the obvious benefit of citizens both in Switzerland and in the European Union — is clearly a cause for celebration.

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**OPENNESS AND FURTHER INTEGRATION ARE  
KEY PREREQUISITES FOR GROWTH AND JOBS.**

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At the same time, it is clear that the Free Trade Agreement has the potential to be further developed. It has served both parties well, but needs to be updated to the benefit of our respective economies. This is particularly important in economically challenging times. Openness and further integration are key prerequisites for growth and jobs.

In this vein, both parties would profit from pursuing work on the implementation and development of the liberalisation of trade in processed agricultural products. I believe that a full liberalisation of trade in agricultural and processed agricultural products with Switzerland would bring benefits to both sides, including consumers, businesses in the agri-food sector and farmers.

Another area with great but as yet underused potential is services. The absence of trade in services from the FTA's scope is particularly unfortunate, given the importance of this sector. Both sides are missing out on huge opportunities for growth and employment. Negotiations to fill this gap were undertaken some years ago, but so far unfortunately without success. Re-launching these talks would be in the interest of both parties.





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José Manuel Barroso,  
President of the  
European Commission

The need to update the agreement is even more evident when compared with the new generation of Free Trade Agreements which the EU and Switzerland are nowadays concluding with other partners. The EU pursues an ambitious agenda with its neighbours to the East and South through so-called Deep and Comprehensive Free Trade Agreements, in which matters such as trade and services — including financial services, capital movement, trade in agricultural and agro-processed products, state aid, etc. — are all covered.

Switzerland is the European Union's last major partner with which trade and economic relations are governed through dozens of specific bilateral agreements, which for all the achievements they bring do not provide a sufficiently comprehensive or homogeneous framework that would allow our bilateral economic relations to flourish even more.

### Going beyond the present system

It has become evident that a truly effective participation by Switzerland in the European Union's internal market, the largest in the world with 500 million consumers, which Switzerland essentially aims at, cannot be delivered through limited agreements on certain goods or sectors. Continuing along this road would not lead us far and might even affect the integrity of the internal market. Within the European Union, there is a consensus that — of course in full respect of Swiss sovereignty and its own choices — the current system of sector-specific agreements has reached its limits.

For this reason, I welcome the proposal of the Swiss government to look into the whole spectrum of our relationship on the basis of a global and comprehensive approach, as we are doing with other close neighbours. The European Union has expressed its wish to go beyond the present system of bilateral agreements and to ensure that a number of underlying institutional aspects of the relationship are properly addressed. These relate to the dynamic adaptation of all agreements to the evolution of EU law (the *acquis*); the homogeneous interpretation of the agreements; an independent supervision and judicial enforcement mechanism; and an effective dispute settlement mechanism — all of which are critical to the proper functioning of our economic ties

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**THE CURRENT SYSTEM OF  
SECTOR-SPECIFIC AGREEMENTS  
HAS REACHED ITS LIMITS.**

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## JOSÉ MANUEL BARROSO

In 2004 José Manuel Barroso was nominated by the European Council and elected by the European Parliament to the post of President of the European Commission. Five years later he was re-elected for a second term. His political career began in 1980 when he joined the Social Democratic Party (PSD). He was named President of the party in 1999 and re-elected three times. Under his leadership, the PSD won the general election in 2002 and he was appointed Prime Minister of Portugal. President Barroso was born in Lisbon on 23 March 1956. After graduating in law from the University of Lisbon, he moved to Geneva where he completed a Diploma in European Studies and a Master's degree in Political Science at the University of Geneva, earning an honours in both.

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for businesses and citizens. I hope that we can tackle these points successfully soon. Through the EEA Agreement, the European Union and its three EFTA partners established among themselves an internal market with the free movement of goods, persons, services and capital on the same basis as within the European Union. We should aim at a similar degree of mutual access and integration with our Swiss partners.

### Developing relations to their full potential

In a “globalised” world with rapidly emerging actors, it is important to create the best possible environment for all European economies to grow and compete internationally. I therefore believe that Switzerland would benefit from a better foundation for her relationship with the European Union. Developing our relations to their full potential would be greatly to our mutual advantage. It would also make us both stronger in our relations with the rest of the world.

The anniversary of our Free Trade Agreement is therefore a good moment to give renewed momentum to the overall EU–Swiss relationship, to which I remain strongly committed. Switzerland and the European Union share deeply-held values — the centrality of human rights, democracy and the rule of law, and free and fair markets for our businesses — and we both project these energetically on the world stage. We both believe in offering our citizens a peaceful, secure and just society — open economically, while at the same time combating social exclusion. As I look to the future, I am profoundly confident that the strength of these common values will allow us to continue to build our economic relationship, taking inspiration from the great step forward which we took together in 1972. [ END ]



# finding an enlarged home market

1972 was a very special year and a real milestone for Switzerland's relations with Europe.

On 3 December the Swiss electorate approved the Free Trade Agreement between the Swiss Confederation and the European Economic Community.

The conclusion of the Free Trade Agreement made it possible for Switzerland to trade in industrial goods free from customs duties and quotas with what was already its most important economic partner, the European Union (EU). The decision on the part of the UK and Denmark, which had until then been members of the European Free Trade Association (EFTA), to join the European Communities finally made it possible for Switzerland and the remaining EFTA states to establish ties in a major economic area, particularly to the customs union of the six founding members, namely Germany, France, Italy, the Netherlands, Belgium and Luxembourg. For a neutral country such as Switzerland, further reaching measures would not have been conceivable in the prevailing Cold War context.

For small countries, the international division of labour requires open markets. Only then can sufficient economies of scale be generated for their own products. In order to be able to compete internationally, businesses in advanced economies have to specialise on cost grounds. The FTA is therefore a means of tapping the extended domestic market it needs close to home. In recent decades, Switzerland has succeeded in coping with international competition because it has managed to shift its focus to innovation and create favourable conditions for businesses that generate high added value.

Over the last forty years, the Free Trade Agreement has provided a conducive framework for this process in the European context. The removal of customs duties and quotas, along with equivalent measures, allowed free trade between the two partners in industrial goods to take on significant momentum. Goods to the value of almost a billion Swiss francs are traded between Switzerland and the EU on any working day.

The primary beneficiary of this trend has been the Swiss manufacturing sector. I am thinking here of the mechanical engineering industry, for example, in its many forms right down to the level of small and medium-sized companies; or the chemicals and pharmaceuticals sectors. In recent years, the watch-making industry has been extremely successful, increasing its turnover quite significantly. Unfortunately the textile industry has shrunk somewhat. The food industry, which transforms agricultural products into processed food, is a special case, as there is only a low degree of trade liberalisation. However, thanks to appropriate measures (e.g. the "Schoggigesetz", legislation on processed foods) to compensate for the prevailing high price of agricultural products in Switzerland, we have nevertheless succeeded in establishing favourable general conditions for this sector.

## Mutual benefits

The benefits of this free trade arrangement are entirely mutual. Around 60 percent of our exports go to the EU, and around 80 percent of our imports stem from there. In its dealings with Switzerland, the EU traditionally has a significant balance of trade surplus. Switzerland is right behind the USA and China, but still ahead of Russia, in terms of the EU's foreign trade (both exports and imports).



Contribution  
by Federal Councillor  
Johann N. Schneider-Ammann

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**AROUND 60 PERCENT OF  
OUR EXPORTS GO TO THE EU, AND  
AROUND 80 PERCENT OF  
OUR IMPORTS STEM FROM THERE.**

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Johann N. Schneider-Ammann,  
head of the Federal Department  
of Economic Affairs

It is a credit to the solutions found forty years ago that trade by and large runs smoothly between Switzerland and the EU. Maybe it is due to the fact that relatively straightforward rules were formulated. Or, put another

way, it is possibly due to this simple formulation that there have also been differences of opinion, as is normal in any intensive relationship. Yet it has always been possible to reach an amicable solution, which in turn speaks volumes about the quality of the relationship.

If we take a brief glance back, the EU has evolved, through waves of enlargement and deepening, to an entity sui generis soon to number 28 member states with around half a billion inhabitants. It has built up an internal market with the four freedoms of free movement of goods and services and of persons and capital, supported by horizontal policy areas such as competition and other accompanying measures. 17 of these member states share a common currency, the euro.

The ongoing debt crisis in certain EU states and the resulting overvaluation of the Swiss franc should not overshadow the fact that, in terms of integration, the European project has been a great success, also from Switzerland's perspective. Stability and peace on our continent are monumental achievements, without which post-war economic development and the prosperity enjoyed in Europe today would be inconceivable.

Twenty years ago, Switzerland rejected membership of the EEA and thus broader integration in tandem with the EFTA partners into the European single market. Since then our country has been pursuing what is known as "the bilateral path", a solution supported by the people in a number of referendums and popular votes.

#### Steady improvements

The conclusion of the first series of bilateral agreements in 1999, which included a mutual recognition agreement to remove technical barriers to trade, an agreement on certain aspects of public procurement and an agreement on trade in agricultural products, rounded off the existing free trade agreement. This was further enhanced with the conclusion of the second series of bilateral agreements in 2004 and the significantly improved protocol on processed agricultural products.

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**STABILITY AND PEACE ON OUR CONTINENT ARE MONUMENTAL ACHIEVEMENTS, WITHOUT WHICH POST-WAR ECONOMIC DEVELOPMENT AND THE PROSPERITY ENJOYED IN EUROPE TODAY WOULD BE INCONCEIVABLE.**

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If one were to look for an agreement of equal significance for Swiss business other than the Free Trade Agreement of 1972, then one would look no further than the agreement on the free movement of persons of 1999. Just as the Free Trade Agreement guarantees market opportunities for Switzerland's producers and manufacturers, the agreement on the free movement of persons provides access to the European labour market. In this sense, the agreement on the free movement of persons is almost a logical consequence of the Free Trade Agreement in that it allows Swiss businesses to recruit qualified (European) workers.

#### Network of free trade

In foreign economic policy there is no "reverse gear" in terms of liberalisation in a globalised world economy. The support of the Swiss people for the free trade agreement is not in doubt in that respect. However, those sectors of Swiss trade with Europe which are not as yet fully liberalised, e.g. agriculture, cannot simply be left to one side. But a prudent approach is called for.

Ever better market access is necessary in order for our businesses to thrive. But improved competition and accompanying liberalisation are needed not only in terms of relations with the EU. Unfortunately, global efforts under the World Trade Organisation Doha Round have so far been unfruitful. Switzerland, partially in conjunction with the EFTA states, is striving bilaterally to extend to other partners the network of free trade which has proven to be so beneficial over the past forty years, and thereby to further diversify its trade. This is the right thing to do. It is worth bearing in mind that even in the modern and, at times, virtual world, geographical proximity still plays an important role. In other words, events in the neighbouring European context have a greater and longer lasting direct impact on the Swiss economy than those in the far off global context. Or, as we are well aware with regard to the euro crisis: when the EU has the flu, Switzerland at least gets the sniffles!

[ END ]

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#### JOHANN N. SCHNEIDER-AMMANN

As head of the Federal Department of Economic Affairs (FDEA) Federal Councillor Johann N. Schneider-Ammann is one of the seven members of the Federal Council, Switzerland's cabinet. Before taking up his position as head of the FDEA on 1 November 2010, Johann N. Schneider-Ammann was a member of the National Council for eleven years for the FDP. The Liberals. During this time he was a member of the Committee for Economic Affairs and Taxation. Federal Councillor Schneider-Ammann was born in 1952 and is an electrical engineer by profession (Dipl. El. Ing. ETH). Before his election to the Federal Council he was president and delegate of the Ammann Group.

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# technology moves with the times



The Swiss watch industry has a longstanding history. Watches are not just Switzerland's flagship industry, they also embody the traditional image of Swiss punctuality, precision, innovation and reliability. The know-how in the field of precision engineering that has been acquired during several centuries is now also benefiting other Swiss industries today, in particular high-tech production in the machinery and medical technology sectors.

**1 CLOTHING** The average duty on the import of textiles and clothing into Switzerland fell from 5.1 percent to zero thanks to the Free Trade Agreement. EU exporters and Swiss consumers now benefit from annual savings of around 180 million Swiss francs.

**2 FURNITURE** 89 percent of household furniture imported into Switzerland comes from the EU. In 2011, these imports totalled 3.35 billion Swiss francs. The most important suppliers were Germany, Italy and Austria.

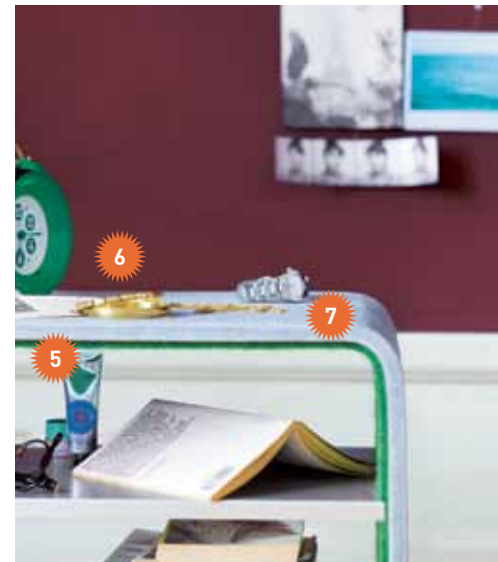
**3 BOOKS** In EU and EEA countries, a total of around 525,000 new books were published in 2010. The countries with the largest output were the UK (151,969), Germany (84,351) and Spain (42,300). In the same year, 10,568 new books were published in Switzerland.

**4 TRAVEL** The tourism and business travel sectors benefit from the Schengen Agreement, as visitors from non-Schengen countries now only need a single visa for the entire area. Border security has been assured by strengthening the controls at the external borders of the Schengen area.

**5 COSMETICS** Thanks to the Free Trade Agreement, EU exporters and Swiss consumers benefit from savings in duties totalling 21.6 million Swiss francs.

**6 GOLD** A great deal of gold is processed in Europe, where it is turned into a broad range of products, including jewellery. In 2011, Switzerland exported gold to the EU worth 1.7 billion Swiss francs, as well as jewellery amounting to around 2.6 billion Swiss francs.

**7 WATCHES** 2011 was a record year for the Swiss watch industry, with exports reaching almost 19.3 billion Swiss francs (of which 26.2 percent went to the EU). In terms of value, Switzerland is the world's largest watch exporter.



Contribution by Peter Flückiger and Mirjam Matti Gähwiler

Sources: Swiss Federal Customs Administration, Federation of European Publishers



# boundless opportunities

The Free Trade Agreement offers advantages for EU and Swiss companies alike. CEOs from both sides tell us where they see the benefits of the agreement and free trade in general.



**GRUPPO MARCEGAGLIA/CONFINDUSTRIA**  
**EMMA MARCEGAGLIA,**  
**PRESIDENT OF CONFINDUSTRIA**

The Free Trade Agreement between the European Union and Switzerland is a milestone in bilateral trade and is bound to maintain a key role in the economic relations already well established between the two partners. The opportunity to operate in the framework of the Agreement has proved to be of strategic importance for many European companies which can greatly benefit from the advantages offered by Switzerland as a technology, logistics and commercial hub.



**ROCA GROUP**  
**RAMÓN ASENSIO, CEO**

The acquisition of the Laufen company in 1999 was a milestone in our international expansion and significantly strengthened the Roca Group's position in the heart of Europe, backed by the values of integrity, innovation and competitiveness associated with "Switzerland" as a country/brand. Free trade has been, and remains, an essential condition for the sustainable growth and prosperity of society.



**BASF**  
**DR. KURT BOCK, CHAIRMAN**

Switzerland has traditionally been an important market for BASF. For us, the free trade agreement has been a lasting success story spanning four decades, and an example for good chemistry across national boundaries.



**LEGO**  
**DIRK ENGENHAUSEN,**  
**SENIOR VICE PRESIDENT LEGO EUROPE**

Because of its strong trade relations with Europe, Switzerland has established its role as a market leader throughout the past few decades within the toy business. Looking at LEGO's history internationally, Switzerland has played an important role. In 1957, the LEGO Group opened its second subsidiary in Zurich, shortly after opening its first one in Germany. Ever since then, Swiss consumers have held a top position globally for us.



**MPF HOLDING/MGYOSZ**  
**FELCSUTI ZSOLT, CEO OF MPF HOLDING/**  
**VICE PRESIDENT OF MGYOSZ**

Strong trade relations with Swiss partners play an important role in the success of Hungarian companies. In the first 11 months of 2011, our trade surplus with Switzerland surpassed 162 million euros. As a consequence of the Free Trade Agreement between Switzerland and the European Union, Switzerland has been among the 25 most important commercial partners for Hungary worldwide since our country joined the EU in 2004.



**6 FEB/DECEUNINCK  
PIERRE ALAIN DE SMEDT, PRESIDENT  
OF FEB/CHAIRMAN OF DECEUNINCK**

Belgium and Switzerland are strong economic partners. The recent innovation partnerships between companies from both countries in the framework of the “SOLAR Impulse” airplane project illustrated this once again. In addition, there is a lot we can learn from each other, for example concerning issues relating to dual education. For companies active in an export oriented country like Belgium, the Free Trade Agreement was an important milestone. Enhanced trade and investment ties between the EU and Switzerland are therefore widely supported by Belgian companies.



**7 SOLARIS BUS & COACH  
KRZYSZTOF OLSZEWSKI,  
PRESIDENT OF THE SUPERVISORY BOARD**

Solaris initiated its cooperation with Swiss customers in 2002. Since then we have delivered over 200 buses and trolleybuses to almost 20 cities in Switzerland. It is a great achievement for every manufacturer to deliver its products to a market which is so demanding in terms of quality. It would not have been possible to establish these economic ties without a free trade agreement between the EU and Switzerland.



**9 RHOMBERG HOLDING  
HUBERT RHOMBERG, CEO**

We have been active in Switzerland for more than 40 years with our subsidiary, Rhomberg Bau AG. In the area of sustainable real estate, Switzerland is evolving into a pioneering region — the readiness on the part of the Swiss to innovate, to use resources efficiently and to develop sustainable residential zones indicates a genuine forward-looking approach. The bilateral agreements have greatly simplified our cross-border business activity.



**8 ALSTOM  
PATRICK KRON, CEO**

Free trade is central for a global group like Alstom. Switzerland is an important location for us, with key activities, including the headquarters of our Thermal Power Sector and over 6,000 employees based in the country. We all benefit from the liberalised trade between Switzerland and the EU.

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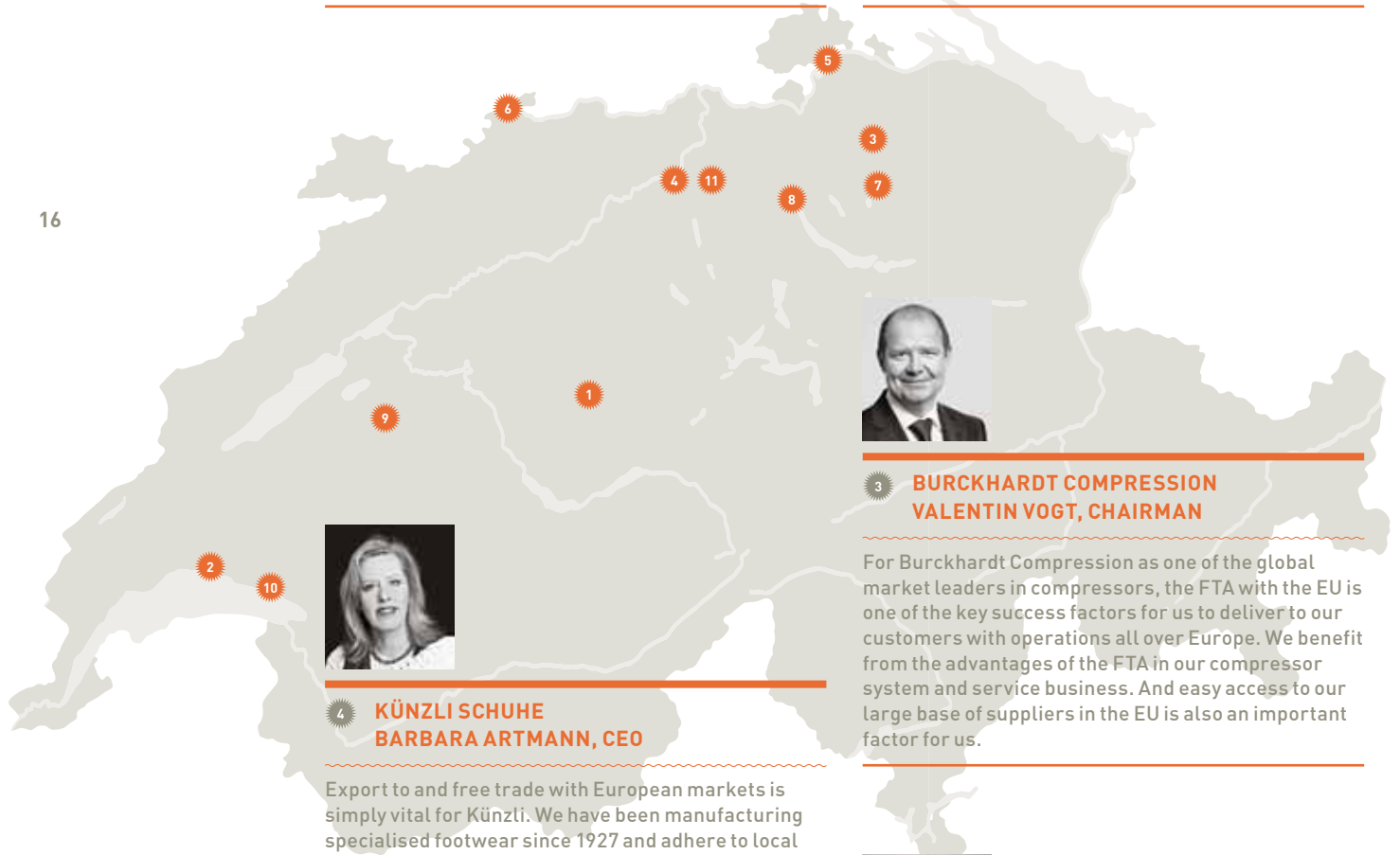
**1 KAMBLY SA**  
**OSCAR A. KAMBLY, PATRON**

Liberal economy models and free trade between Switzerland and the EU are a manifestation of a firm commitment to self-initiative and self-responsibility, as a foundation for sustainably thriving national economies and societies. Prosperity, peace and freedom are intimately interrelated.



**2 AC IMMUNE**  
**PROF. ANDREA PFEIFER, CEO**

Innovation knows no boundaries and is a central issue in economic prosperity. Switzerland fosters an excellent creative environment for the best brains from here and abroad which are the foundation for innovation and therefore play a vital role as a driving innovation partner in Europe.



**4 KÜNZLI SCHUHE**  
**BARBARA ARTMANN, CEO**

Export to and free trade with European markets is simply vital for Künzli. We have been manufacturing specialised footwear since 1927 and adhere to local production in Switzerland. Targeting premium niches means we need to go beyond our home market. Künzli proudly carries Switzerland in its "heart and sole" and gratefully uses the open market access.



**3 BURCKHARDT COMPRESSION**  
**VALENTIN VOGT, CHAIRMAN**

For Burckhardt Compression as one of the global market leaders in compressors, the FTA with the EU is one of the key success factors for us to deliver to our customers with operations all over Europe. We benefit from the advantages of the FTA in our compressor system and service business. And easy access to our large base of suppliers in the EU is also an important factor for us.



**5 GEORG FISCHER AG**  
**YVES SERRA, CEO**

With its numerous sales companies and production plants in Europe and in Switzerland, Georg Fischer has a strong interest in the FTA. Thanks to the FTA, materials and products can circulate much faster across borders and efficiency is taken to a new level. This leads to considerable cost reductions.





**6 F. HOFFMANN-LA ROCHE AG  
DR. GOTTLIEB KELLER, GENERAL COUNSEL**

Free trade agreements with key economic partners such as the EU are an important instrument in maintaining and strengthening the competitiveness of innovative companies located in Switzerland, such as Roche. However, FTAs will only work between partners with a common understanding of legal principles and respect for the law. To realise the full potential of FTAs, it is essential that both partners have a robust, stable and predictable legal framework for the protection of intellectual property rights, such as patents and trademarks.



**7 OC OERLIKON  
DR. MICHAEL BUSCHER, CEO**

Regional expansion is one of the strategic success factors for the Oerlikon Group. Today we are a global player with Swiss roots and a strong European footprint. For us, free trade was and is a prerequisite to generate profitable growth and value for all stakeholders.



**9 CONTRINEX AG  
PETER HEIMLICHER, CEO**

Like the Free Trade Agreement, our company is also celebrating its 40th anniversary this year. Working closely with partners throughout Europe has helped us grow our business, share our innovations and achieve 97 percent export sales. Now we are finding that this expansion model works well globally too.



**11 ABB  
DR. HUBERTUS VON GRÜNBERG,  
CHAIRMAN OF THE BOARD OF DIRECTORS**

The free trade agreement strongly helped Swiss industry to become the competitive player it is today. As a multinational company with roots in the small domestic markets of Switzerland and Sweden, ensuring free market access has always been critical for our success. Today, ABB builds power networks that connect offshore wind power in Germany to the mainland grid with Swiss technology, and our automation solutions from the EU make Swiss industrials more productive.



**8 MÖVENPICK HOLDING LTD.  
GUIDO EGLI, CEO**

Free trade promotes prosperity and competitiveness. It was also thanks to free trade that Mövenpick was able to expand internationally with success. From the perspective of the hospitality industry, a controlled expansion of the Free Trade Agreement into the agricultural and food sector would be desirable.



**10 NESTLÉ SUISSE SA  
EUGENIO SIMIONI, GENERAL MANAGER  
(MARKET HEAD)**

Nestlé's strategy focuses on global development, but remains strongly rooted in regional and national markets. It does not come as surprise, therefore, that both Nestlé Switzerland and the Nestlé Group endorse the bilateral and multilateral framework of the economic treaties. These have enabled our company to create new opportunities, to maintain and to expand to a surprising degree our industrial food production in Switzerland and to provide Swiss and European consumers with improved and affordable food products. We consider the 1972 Free Trade Agreement between Switzerland and the European Community a success, and we firmly support its further development.

# the guidelines were clear: independence and neutrality

Pierre Languetin played a leading role in the Swiss delegation which negotiated the Free Trade Agreement (FTA) 40 years ago. In this interview he shares his personal experience and memories.

18

**Monsieur Languetin, the Free Trade Agreement (FTA) between Switzerland and the former European Community — now European Union — turns 40 this year. Looking back to the very beginning: What were the circumstances in which this Agreement was set?**

The foundation for it was established after the Second World War, with a great idea from the US government: the Marshall Plan. This was an excellent method for rebuilding a totally broken economy and simultaneously providing the countries of Europe with an incentive to cooperate. The generation — especially the French and the German — which had fought against each other a few years earlier now found itself sitting round a table and negotiating. Frenchman Jean Monnet played a leading role in this process of integration which finally led to the formation of the European Coal and Steel Community (ECSC).

**How did the idea of a free trade agreement develop?**

It already started shortly after the Treaty of Rome was signed in 1957, which established the European Economic Community (EEC). The other European countries outside the EEC were worried about the new division between the EEC member states and non-members. In response to this situation, the UK proposed the creation of a large European Free Trade Zone, including the EEC and all the other countries. After one year of negotiation this project was abandoned. The non-EEC countries then decided to create a free trade association among themselves with the aim of acting in parallel with the EEC and being able at a later stage to unite with it. These considerations led to the foundation of EFTA in 1960.

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**THE “LONDON PLEDGE” WAS A CORNERSTONE FOR THE FTA NEGOTIATIONS.**

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**Which were the difficulties that emerged during the 1960s?**

When the UK signalled its intention to become an EEC member state, the other EFTA countries insisted on their own negotiations with the EEC, parallel to the UK's. This finally led to the “London Pledge”, which was signed in 1961 and was a cornerstone for the subsequent negotiations on the FTA: It basically declared that no EFTA member state is allowed to join the EEC as long as other EFTA member states do not have a satisfactory solution for their own partnership with the EEC. Soon after the “London Pledge” was signed, the UK applied for EEC membership. After France's veto against its membership in 1963, the UK — together with Denmark, Ireland and Norway — resubmitted its application four years later. The other EFTA member states that didn't want to join the EEC were determined to find an acceptable solution, either in the form of a free trade agreement or by accession to the EEC.

**What do you remember about how the FTA negotiations took place?**

I have very positive memories about the negotiations, which opened in 1968. There were about ten rounds, and it was always the same ritual for me. Firstly I had a meeting with delegates of the EFTA members in Geneva in order to be clear on the position of the others. This was important as we wanted to appear as a group with similar interests in negotiations with the EEC. After the meeting in Geneva, I then took the night train from Bern to Brussels, departing at 11 p. m. The next morning I had further meetings with EFTA delegates before the negotiations with the EEC started. That's why I've always had a sound grasp of the contemporary developments and positions of the other EFTA negotiation partners.



### PIERRE LANGUETIN

Pierre Languetin was born on 30 April 1923 in Lausanne. He studied economics in Lausanne and London. In 1949 he joined the secretariat of OEEC, and in 1966 he was named as delegate minister for trade agreements. In 1968 he was appointed ambassador and co-chairman of the Swiss delegation which negotiated the FTA with the EEC. He joined the Swiss National Bank in 1976 which he chaired from 1985 until 1988.

#### Which difficulties arose during the negotiations?

The negotiations were very intense. We agreed on certain principles, but there were controversial issues as well, including within the EFTA. The paper issue, for example, was very important to the EFTA members, especially the Scandinavian countries. Unlike Switzerland, which was not an important producer of paper but an importer, they were very interested in accessing the free market and therefore wanted to push for the liberalisation of the paper and cardboard sector. We were eventually successful, but a great deal of give and take was required. I remember when negotiating with the EEC I was once asked whether I was defending the interests of the EFTA countries or the interests of Switzerland. *(laughs)*

#### What was the situation in Switzerland during all these negotiations?

There was very good collaboration between the private sector (“Vorort”) and the Department of Commerce (“Handelsabteilung”). The Federal Council issued very clear guidelines: Switzerland must remain independent and neutral.

#### When you look at the situation today, how have things developed since 1972?

In my opinion, it was a mistake that Switzerland didn’t join the European Economic Area in 1992 like Norway, Iceland and Liechtenstein, the other current EFTA members. It was a political question, not an economic one. The Bilateral Agreements that followed were a pragmatic solution. But we do not have the means to influence decision-making in the EU. We don’t have a network or a platform for promoting and discussing our interests.

#### What would you recommend for the future?

Until now, each department has been responsible for its own area and seems to be afraid of losing its influence. But if Switzerland wants to be seen as a political partner at eye level with the EU, this has to change. There needs to be a coordinator on the Swiss side who is a contact person for players in the EU as well as for departments of the Swiss government. This is a prerequisite for establishing a partnership including political dialogue between the EU and Switzerland. [ END ]



Switzerland, Sweden, Austria, Portugal and Iceland signed the Free Trade Agreement with the EEC in the Palais d’Egmont in Brussels on 22 July 1972. For Switzerland, the Agreement was signed by Federal Councillor Brugger (centre) and Ambassadors Jolles and Wurth (right).



Interview by  
Jan Atteslander and Jenni Thier



 Contribution by Peter Flückiger and Mirjam Matti Gähwiler

Sources: Swiss Federal Customs Administration, European Automobile Manufacturers' Association (ACEA)



# the automotive industry is a key contributor



The European automotive industry directly employs 2.3 million people, and accounts for a further 10.4 million jobs in associated manufacturing and other sectors. Europe is the world's largest vehicle producer with an output of over 15 million passenger cars per annum, or 26 percent of worldwide car production. Swiss companies are heavily integrated in the European automotive value chain.



**CARS** 84.3 percent of automobiles imported into Switzerland, with a total value of 8.6 billion Swiss francs, come from the EU. Thanks to the FTA, exporters in the EU and consumers in Switzerland benefit from savings in customs duties amounting to 71 million Swiss francs.



**TECHNICAL BARRIERS** The Agreement on dismantling technical barriers to trade calls for the mutual recognition of conformity tests for most industrial products. Exporters do not have to spend additional time and money (which on average can amount to one percent of the value of the product concerned) for a second approval in the country of destination.



**MACHINERY AND ELECTRONICS** are among the most important industries in Europe. In 2011, the EU exported machinery and electronics to Switzerland to the value of 24.9 billion Swiss francs, and thanks to the FTA saved 96.5 million Swiss francs in customs duties. The Swiss machinery and electronics sectors exported goods worth a total of 36.9 billion Swiss francs, 54 percent of which went to the EU.



**SNOW** The World Customs Union allocates a code to every product. The "Harmonised System Nomenclature" encompasses around 5,000 product groups that are designated with the aid of a 6-digit code. Even ice and snow have such a code: 2209.10. In 2011, more than a million tonnes of ice and snow worth 310,957 Swiss francs were exported duty-free from Switzerland to the EU.



**OIL** In 2011, Switzerland imported almost 10 million tons of mineral-based fuels and oil products worth 12.6 billion Swiss francs from the EU.





# cross-border genesis of a product

Trade has become much more than just a simple exchange of finished goods. It has developed into a cross-border flow of intermediate goods, services, technologies and investment, in what is referred to as the “global value chain”.



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**GLOBAL TRADE VOLUME HAS INCREASED BY A FACTOR OF EIGHT OVER THE LAST THREE DECADES.**

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The opening of markets combined with the technical revolution in IT, communications and transport logistics has boosted trade and economic growth worldwide. Global trade volume has increased by a factor of eight over the last three decades. Successive rounds of multilateral trade negotiations have lowered average tariff rates on industrial products from roughly 40 percent at the end of World War II to 3.8 percent today. According to the OECD a value chain identifies the full range of activities that firms undertake to bring a product from its conception to its end use. With the offshoring of some activities, production is spread over several countries and the value chain becomes “global”.

Yet tariffs, taxes imposed by importing countries on foreign goods, and non-tariff barriers still remain a key obstacle to market access. Given the increasing importance of imports for subsequent exports the costs of “national borders” have grown. Import barriers may directly hurt the competitiveness of the domestic economy. Instead of “beggar thy neighbour” policies, protectionism becomes “beggar thyself” policies (cf. OECD 2012: mapping Global Value Chains).

Due to the deadlock of multilateral negotiations, more and more countries have reduced trade hurdles through free trade agreements. Almost 300 such agreements were in force in 2011. Both the European Union and Switzerland each have more than 20 FTAs with third countries. Original goods from contracting parties can be imported duty-free or at reduced rates. In addition FTAs are designed to make trade faster by facilitating goods transit through customs and setting common rules on technical standards, to increase investment opportunities, and to make the policy environment more predictable — by taking joint commitments on areas that affect trade such as intellectual property rights, competition rules or public procurement.

## Improvement by modernising the rules of origin

Within the framework of the Free Trade Agreement with the EU, Switzerland renounces customs duties amounting to around two billion Swiss francs per annum for the benefit of EU exporters as well as Swiss importers and customers. This preferential treatment only applies to goods originating in the partner states. The origin of a product is defined by rules. Goods must be manufactured from raw materials or components which have been grown or wholly produced in the beneficiary country, e.g. vegetables or mineral products. Or in light of today’s internationalised economy with global value chains, they at least have to undergo a certain amount of working or pro-



### PETER FLÜCKIGER

Peter Flückiger graduated from the universities of Lausanne and Zurich with a Masters degree in political science and economics. He joined *economiesuisse* in Brussels in 2004. Today he is Deputy Head of Foreign Economic Policy and responsible for trade and customs issues, as well as for relations with Eastern Europe, Central and Southeast Asia. He is a member of the board of the Swiss Asian Chamber of Commerce, the Swiss Society for European Law and the Federal Commission of Customs Experts.

cessing in the beneficiary country. The amount is defined in the free trade agreement and refers to a percentage of added value, to the change of tariff classification or to a specific processing step which has to be carried out. The origin of products has to be proven to the customs administration of the importing country with certain documentation.

Cumulation is a deviation from basic rules of origin which promotes and enhances trade between free trade agreement partners. If a product is manufactured using materials imported from another country within the free trade zone, these materials are also regarded as originating products in the country of manufacture. The use of these imported products is referred to as cumulation. The cumulation can be bilateral (Switzerland–EU) or diagonal (within the Pan-Euro-Med cumulation area: EU–EFTA–Faroe Islands and Mediterranean countries such as Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Palestinian Authority).

One half of world merchandise trade takes place among free trade agreement partners (including trade within the EU), but according to the World Trade Organisation only sixteen percent receives preferential treatment. Onerous rules-of-origin procedures have contributed to these low figures by making the costs of compliance requirements higher than the perceived worth of the underlying preference margins. There is a risk that suppliers may be obliged to tailor their products for different preferential markets in order to satisfy rules of origin. This so called “spaghetti-bowl” situation of twisted rules of origin is a potential source of high administrative costs in customs procedures and administratively cumbersome to manage.

Therefore the legal framework needs to be further improved:

- by modernising the rules of origin between Switzerland and the EU by taking into account state-of-the-art production processes and global value chains
- by allowing diagonal cumulation between the EU, Switzerland and the Western Balkans or non-European free trade partners
- by harmonising rules of origin between the different FTAs
- by eliminating non-tariff barriers and facilitating customs clearance procedures.

These measures would be beneficial for the EU and Switzerland and contribute to European competitiveness.

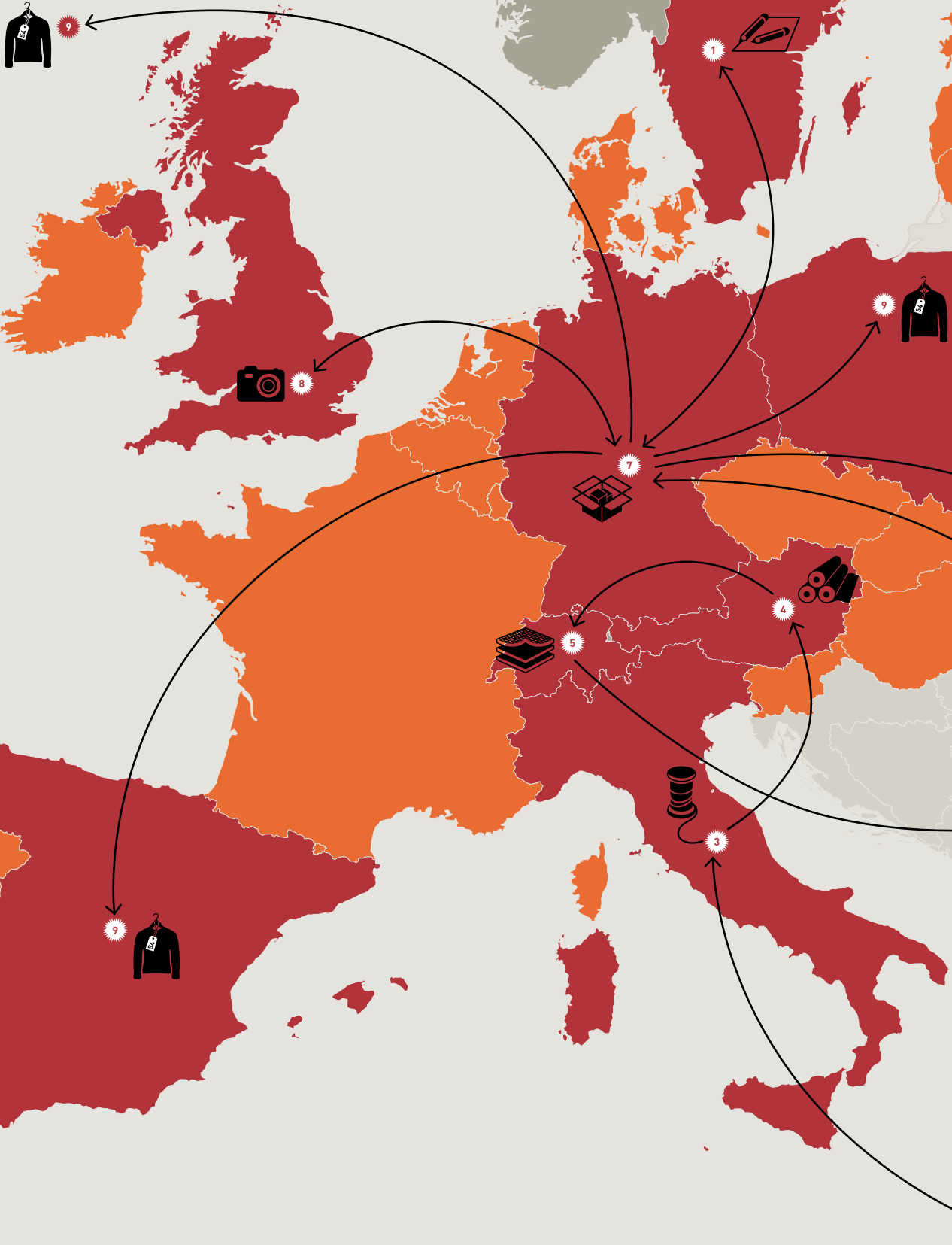
#### Concrete steps towards multilateral trade liberalisation

Despite the current deadlock of Doha negotiations, business is a strong supporter of the multilateral trading system. The WTO has proven to be best placed to defend the interests of trading nations and battling unfair trade practices. A renewed approach for multilateral trade liberalisation is needed. Ambitious agreements on trade facilitation and non-tariff barriers are to be aimed for. In addition, plurilateral sectoral agreements should be pursued.



More about global value chains:  
[www.wto.org](http://www.wto.org)  
[www.oecd.org](http://www.oecd.org)

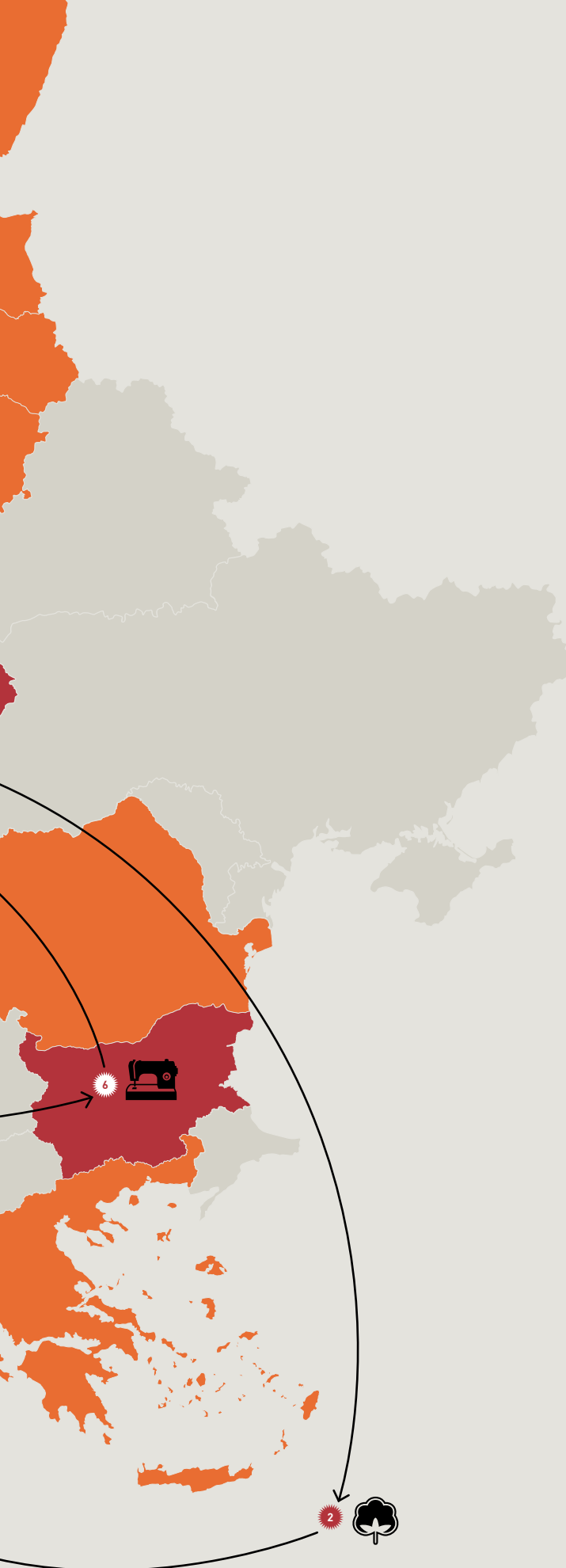
The following pages illustrate how the production of a simple jacket is organised within a global value chain.



## HOW TO PRODUCE A JACKET


The textiles sector is a typical example of an industry producing in global value chains and still subject to relatively high customs duties. The rise in competitiveness in Asia is challenging European producers to be more innovative, add higher values to their products and optimise their value chains. The industry benefits from the advantage of the Pan-Euro-Med cumulation-area lowering or eliminating tariffs and non-tariff barriers.

-  A designer in Sweden sketches the autumn/winter collection for a fashion company in Germany.
-  The fashion company buys cotton in Egypt.
-  The natural fibre is spun to yarn in Italy using spinning machinery from Switzerland.
-  The yarn is dyed and woven in Austria.
-  The fibre is printed and coated in Switzerland in order to make it water-proof and permeable to air.
-  The garment is put together in Bulgaria using sewing thread and buttons from Vietnam.
-  The final inspection, marketing and distribution are carried out in Germany.
-  A global advertising campaign is launched by an agency in the UK.
-  The jacket is sold in Spain, Poland and the USA.



# future challenges from an entrepreneurial point of view

In Switzerland the discussions about the best policy towards Europe were highly controversial during the last twenty years. The range was broad, going from total refusal to pleading for full EU integration.

 Contribution by  
Dr. Helmut O. Maucher,  
Honorary Chairman,  
Nestlé S.A., Vevey

26

Especially Switzerland's debated participation in the EEA (European Economic Area) agreement at the time, as is well-known, was contested and finally rejected in a referendum in 1992. The accession talks led by the EU were rather low-key and pragmatic according to the motto: "The EU would welcome Switzerland's joining the EEA but it is neither of top priority nor utmost importance for the EU".

Large international companies based in Switzerland were also rather skeptical, very well recognizing and appreciating the various advantages deriving from a Swiss-based business without a too tight rapprochement with the EU.

Finally, the vote against joining the EEA proved to be the right decision. I am thinking in particular of a greater integration and the associated imperative to have to adopt further undesirable EU legislation without having any say.

Moreover, it is to be expected that Switzerland's financial contributions to the EU would increase considerably. It is estimated, for example, that in case of a full membership, Switzerland would have to pay an additional 3.5 billion Swiss francs, while, however, certain financial benefits would ultimately flow back into the country. In

any event, it is clear that in the current situation Switzerland is not obliged to implement more EU legislation. It adapts its regulations to EU law where this is in its interest. This is the case, for example, if differences between Swiss and EU regulations create trade barriers and thus put Swiss companies at a disadvantage compared with their European competitors, or if Swiss legislation 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 those concerning genetically modified food, patent law or fiscal matters.

However, the system of bilateral agreements following the 1972 Free Trade Agreement has proved to be mutually beneficial (e.g. free movement of persons, overland transport, civil aviation, opening of certain Swiss market segments).

We are now faced with the question of how to move on from here. Which further developments are necessary, which measures should be implemented, so that this overall positive trend will continue?

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**THE SYSTEM OF BILATERAL AGREEMENTS  
FOLLOWING THE FREE TRADE AGREEMENT  
HAS PROVED TO BE MUTUALLY BENEFICIAL.**

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1

It seems important to me that decision makers in politics and business realize their obligation to stand firm and set their sights on long-term sustainable development goals rather than focusing on short-term, temporary difficulties and interests (civil aviation, tax treaties, etc.). This all too often seems to be difficult for politicians and business people alike to follow, and has therefore prevented many appropriate sustainable measures and actions so far. The problem is aggravated by the fact that politicians have to win majorities with their ideas and thus take up positions and raise issues which they believe will win them majorities but which are not necessarily in accordance with what really needs to be done.

2

I do not see a further formal, contractual rapprochement of Switzerland with the EU at present, although we can note in several respects a “Europeanization” of Switzerland and a “Switzerlandization” of the EU. With regard to the latter, I believe that the increase in the number of members towards 30 will have to lead to more federalism, differentiation and subsidiarity and require a Europe of different speeds. Overall, we are still far from what makes an even closer relationship and alignment with Switzerland appropriate, given the present situation in Switzerland as well as in the EU with its bureaucratic and administrative interventions in flagrant violation of the subsidiarity principle. And yet, there is no question that it is in the interests of Switzerland to continue negotiations wherever there is a demonstrable mutual interest for both sides.

The numerous negotiations and agreements between Switzerland and the EU are indications 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 its most important trading partner, and Switzerland is the third most important market for EU products (as of 2010). 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 program: some agreements have to be renewed, others adapted to changing circumstances.

3

Increasing globalization, the shift in economic power in the direction of Asia and the emerging markets is leading to increased competitive pressure and is urging greater economic cooperation within Europe. Moreover, if Europe, with regard to the geopolitical developments and power shifts, wants to remain a serious and viable player, increased cooperation in core areas is required and it must speak with one voice. I am thinking especially of foreign and security policy, immigration policy and environmental policy.



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**IF EUROPE WANTS TO REMAIN  
A SERIOUS AND VIABLE GLOBAL  
PLAYER, INCREASED COOPERATION  
IN CORE AREAS IS REQUIRED.**

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**ANCHORING THE PRINCIPLES  
OF SUSTAINABILITY IN CORPORATE  
CULTURE AND MAKING THEM  
PART OF DAILY BUSINESS WILL  
IMPROVE EUROPEAN AND SWISS  
COMPETITIVENESS.**

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4

I also would like to specifically mention the exchange of information in research and in the area of technology. Also, alongside various other positive developments, we can observe that 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 former Yugoslavia or as a longstanding member of the Council of Europe campaigning for human rights. Switzerland is providing the former communist states of Eastern Europe with support for their democratic and market economy reforms as part of its Aid to Eastern Europe. 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.

5

In this connection, we also need to consider how to take more effective action in shaping future education systems, including universities and the necessity of life-long training and learning when the speeding up of technical progress, the relentless spread of information technologies and the continuous changes in skills required by these developments are casting doubt on the ability of our traditional educational model.

6

A key competitive advantage, as we know, is “speed”. How can we accelerate certain processes while maintaining (or improving) our liberal democratic basic structures and constitutions? It will be crucial to find a balance between general economic tasks and interests and the particular interests of individual citizens and specific groups. Many projects such as road construction, new industrial plants or other necessary projects and procedures often take years until they are ready for decision, and various projects are simply being blocked. This reflects people’s widespread hostility to technology and the negative attitude towards nuclear power and green genetic engineering. The protection of minorities rightly enjoys high status, but it should not result in minorities “terrorizing” large parts of the population.

7

We have to look at our social, ecological and energy policies and principles and work on them without calling their foundations into question. To give just one example: social security and assistance are vital and a must, but should not be a hammock.

8

We need to keep our eyes on the development of exchange rate relations. On the one hand, Switzerland (unfortunately) has to take measures to prevent further currency appreciations, and even more important in the long run the EU, and especially its member states, must do everything in their power to stabilize the euro. This mainly concerns bringing budget deficits under control and reducing debt, as well as harsher consequences and stricter sanctions against member states that do not do their homework properly.



### DR. HELMUT O. MAUCHER

Helmut Oswald Maucher has a long history within the Nestlé Company in Germany as well as in Switzerland. After being President and Chief Executive Officer of Nestlé Germany for five years, he went to Nestlé in Switzerland as Executive Vice President of Nestlé S. A. and Member of the Executive Committee in October 1980. In November 1981, he was nominated as Chief Executive Officer and from June 1990 to June 1997 both Chairman of the Board and CEO. Then, having relinquished the position of Chief Executive Officer, he continued as Chairman of the Board of Nestlé S. A., Vevey Switzerland. In May 2000, he relinquished the position of Chairman of the Board and was named Honorary Chairman by the Board. Maucher was born on 9 December 1927 in Eisenharz, Germany.

9

Generally speaking, we have to find the right balance in Europe (politicians and business people alike), between short-term interests and tough competition on the one hand, and the need and willingness to assume sustained responsibility towards society and above all towards people on the other hand.

10

And finally, I would like to come back to another decisive point: How to improve the competitiveness of Europe, and thus the positive development of Switzerland and the EU as a whole, from an entrepreneurial point of view, namely anchoring the principles of sustainability in corporate culture and making them part of daily business (which will no doubt continue to be a constant challenge). This includes:

A

The right selection and training of managers. And this is not so much a question of the commonly known, self-evident experience and professional knowledge, but rather of the quality of a person's character, personality and behavior.

B

The importance of sustainability and value orientation as the basis for long-term business success and ultimately for the benefit of society.

C

A stronger focus on people and their real needs and mentalities (particularly in respect of employees, customers and consumers) rather than on exaggerated corporate governance rules and systems. My guiding principle always has been: "Be more people- and product-oriented than system-oriented". [ END ]



# need to open up the agricultural market

The Free Trade Agreement between Switzerland and the EU does not include agricultural goods. A new agreement that encompasses the entire agriculture and foodstuffs sector would lead to lower prices, strengthen the purchasing power of the population and increase productivity as well as exports in the agriculture sector.

30

- 1 CHEESE** Thanks to the agreement on agricultural products, trade in all types of cheese has been unrestricted between Switzerland and the EU since 1 June 2007. Around 80 percent of Switzerland's cheese exports go to the EU. In 2011, cheese exports totalled almost 50,000 tonnes.
- 2 VEGETABLES** In 2011, the EU exported 557,289 tonnes of fruits and vegetables into Switzerland, worth around a billion Swiss francs. And vice versa, Swiss farmers exported products worth 13 million Swiss francs to the EU.
- 3 HOUSEHOLD APPLIANCES** 78.8 percent of household appliances imported into Switzerland come from the EU. Thanks to the Free Trade Agreement, EU manufacturers and Swiss consumers save around 12.9 million Swiss francs in customs duties.
- 4 WINE** imported into Switzerland mainly comes from France, Italy and Spain, while Swiss wine exports primarily go to Hong Kong and the UK.
- 5 TABLEWARE** only accounts for a very minor proportion of bilateral trade. In 2011, Switzerland exported products worth 82.5 million Swiss francs to the EU, while its imports amounted to around ten times that figure, namely 256.4 million Swiss francs.
- 6 PROCESSED AGRICULTURAL PRODUCTS** Customs tariffs on products such as chocolate, coffee and pasta were abolished in a supplementary protocol to the FTA in 2004. In 2011, Switzerland imported processed agricultural products worth 2.5 billion Swiss francs from the EU, and its exports of chocolate and biscuits have risen sharply since 2005.





Contribution by Peter Flückiger  
and Mirjam Matti Gähwiler

Source: Swiss Federal  
Customs Administration





### POPULATION

The population of the EU is more than 60 times greater than that of Switzerland.



■ EU population, 502.5 million\*  
■ CH population, 7.9 million\*

### CITIZENS LIVING ABROAD

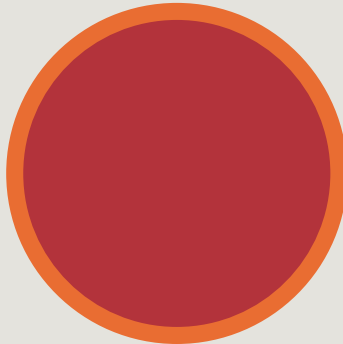
More than one million EU citizens are living in Switzerland.



■ EU citizens in CH: 1.098 million  
■ CH citizens in EU: 0.416 million

### EXPORTS OF GOODS

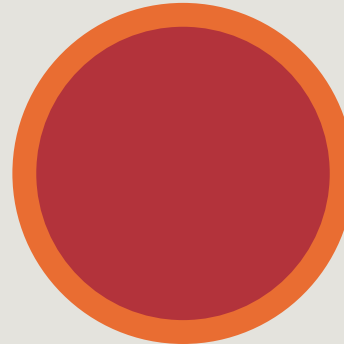
The EU has a goods trade surplus of 21 billion euros.



■ EU to CH: 113 billion euros\*  
■ CH to EU: 91.3 billion euros\*

### EXPORTS OF COMMERCIAL SERVICES

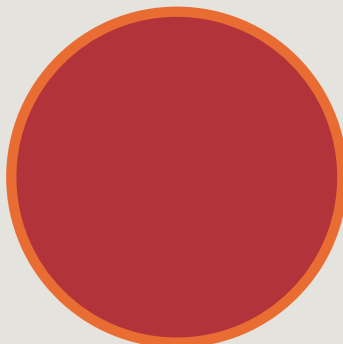
The EU has a services trade surplus of 19 billion euros.



■ EU to CH: 70.3 billion euros  
■ CH to EU: 51.3 billion euros

### STOCK OF FOREIGN DIRECT INVESTMENT

EU companies account for 343.3 billion euros of foreign direct investments in Switzerland.



■ EU in CH: 343.3 billion euros  
■ CH in EU: 301.8 billion euros

### FOREIGN DIRECT INVESTMENT, PERSONNEL

Swiss companies employ more than 1.175 million personnel in the EU.



■ EU companies in CH: 0.343 million employees  
■ CH companies in EU: 1.175 million employees



### REAL GDP GROWTH RATE

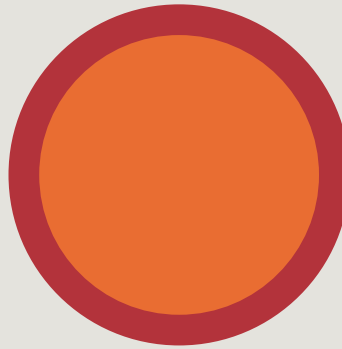
The annual average growth rate during the past decade was 30% higher in Switzerland than in the EU.



■ EU: annual average (2002–2011), 1.3%  
■ CH: annual average (2002–2011), 1.7%

### GDP PER CAPITA, CURRENT PRICES AND PPS

GDP per capita is 50% higher in Switzerland than in the EU.



■ EU: 23,978 euros  
■ CH: 35,181 euros

### EXPORTS OF GOODS AND SERVICES

Every second Swiss franc and four out of ten euros are earned abroad.



■ EU: average as a percentage of GDP, 40.5%  
■ CH: average as a percentage of GDP, 54.2%

### INFLATION

On average, the annual inflation rate is three times higher in the EU than in Switzerland.



■ EU: annual average (2002–2011), 2.3%  
■ CH: annual average (2002–2011), 0.7%

### UNEMPLOYMENT

On average, the unemployment rate has been 2.6 times higher in the EU during the past decade.



■ EU: annual average (2002–2011), 8.7%  
■ CH: annual average (2002–2011), 3.3%

### SURFACE AREA

The surface area of the EU is 100 times greater than that of Switzerland.



■ EU: 4,324,782 km<sup>2</sup>  
■ CH: 41,285 km<sup>2</sup>

# free trade agreements help to cope with crises

Christoph Tobler is the CEO of Sefar, market leader within its field of technical textiles. In recent years, Sefar has undergone numerous changes due to the challenges of a globalised world. Free trade agreements play an important role in daily business.

34

**Sefar started producing silk bolting cloth for the sieving of flour more than 180 years ago. Today it is a leading manufacturer of monofilament precision fabrics for customised solutions in a broad range of industries. What are the key challenges for the European textile industry in the near future?**

A major challenge will be the loss of links in the textile production chain. This is a result of the massive relocation of the textile industry or of certain manufacturing steps into the low-cost countries of the Far East. Another challenge lies within the current European debt situation, which is weakening the European consumer markets and forcing European manufacturers to look for opportunities in more remote markets. Not all manufacturers will have the strength to follow this route. For the Swiss textile industry, the strong Swiss franc is a considerable handicap, as the vast majority of the products are exported.

**40th anniversary of the Free Trade Agreement between Switzerland and the EC. A reason to celebrate?**

Europe is still the largest market for Swiss textiles. The FTA certainly helped us achieve this position and it is truly a reason to celebrate. We must now continue our efforts to conclude free trade agreements with important countries outside the EU, such as Brazil, Russia, India and China. This will help our industry duplicate our success story with the EU.

**What is the concrete benefit of the FTA for your company?**

Through the absence of tariffs and other barriers, we can compete on a level playing field with local companies. This works well in Europe. However, we have a massive disadvantage when trying to bring our technical fabrics into Brazil or India, where the tariffs are prohibitively high and protect their local industries.

**Has the agreement met your needs?**

The FTA was good when it was established, but after 40 years it needs to be revised in some aspects. The rules of origin must be improved, because they were established at a time when the textile value chain looked quite different. New textile processes — which were unknown 40 years ago — need to be integrated into these rules to reflect today's reality.

**Besides the FTA, which other bilateral agreements between Switzerland and the EU are important for your business?**

Free movement of persons is very important for the textile industry, as we rely on specialists from EU countries. The textile cluster in Switzerland has become too small to be able to cover all the needs in terms of know-how and skilled workforce. Sefar operates just a few kilometres from the borders with Austria and Germany, and has a highly multinational workforce. A reduction of this free movement of persons would seriously jeopardise our business.

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**THE FTA WAS GOOD WHEN IT WAS ESTABLISHED, BUT AFTER 40 YEARS IT NEEDS TO BE REVISED IN SOME ASPECTS.**

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### CHRISTOPH TOBLER

Christoph Tobler was born on 10 September 1957 in St. Gallen. He studied Electrical Engineering at EPFL and earned an MBA at Berkeley, USA. After five years in consulting, he switched to the manufacturing industry, first with ABB Transportation Systems, then with Sika, where he headed the Industry Division. In 2004 he assumed the position of CEO of Sefar.



### SEFAR

Sefar is the leading manufacturer of precision fabrics from monofilaments for the screen printing and filtration market. Sefar products are used in a wide variety of industries, ranging from electronics, graphics, medical, automotive, food and pharmaceutical applications to aerospace, mining, refining and architecture. Sefar Group operates weaving plants in Switzerland, Romania, Thailand and Brazil. Its Monosuisse division produces fine and medium yarns in Switzerland and Poland. In 2011 the Sefar Group achieved sales of 317 million Swiss francs and employed around 2,200 personnel worldwide.

#### Roger Federer is not the only Swiss who is successful in Wimbledon ...

Sefar has acquired the technology for the fabric which is used in the foldable roof of the Centre Court at Wimbledon. It is one element in our newest line of business: Sefar Architecture. Another megaproject in this architecture line concerns the roughly 280 umbrellas around the Medina Mosque, each of which covers 800 square metres of ground.

#### Innovation seems to be the decisive factor for your success. How do you go about this?

We work with several innovation drivers: When it comes to innovation in our core manufacturing processes, it is purely in-house. For example, we modify most of the machines we buy in order to make them fit our needs and avoid sharing our process know-how with the manufacturer. On the other hand, we seek to cooperate with research institutions. As an example, we are in partnership with institutions in Australia, the UK and Switzerland with the aim of developing a flexible textile solar cell. Market-driven innovation is coming from all our subsidiaries and distribution partners who have the best sense of what our end users need.

#### Just recently you opened a weaving plant in Sighisoara, Romania. What is the added value of subsidiaries in the EU?

We were looking for a production site in a European low-cost country and found very good conditions and skilled labour in Romania. It was a move aimed at reducing costs and keeping up productivity for some product lines with tight margins, otherwise we would have lost the respective markets. Thanks to innovations we were able to maintain the level of activities in Switzerland despite this new factory.

#### Sefar has subsidiaries in 25 countries and representations around the globe. What is the importance of your global presence?

Since we offer solutions with technical fabrics for industrial processes, we need to have manufacturing operations in all major markets. While weaving can be done centrally to reach economies of scale, the manufacture of end products has to be local. Of our 2,200 employees, 850 work in Switzerland, another 500 in Europe and the rest around the globe. Only two percent of Sefar's sales are in Switzerland, compared with fifty percent in Europe.

#### Are you affected by the financial and economic crisis? Is the FTA helping you to better cope with this crisis?

We are carefully monitoring the situation in Europe, as it is our main market. A slow-down and continuation at a lower level is a likely scenario. Thanks to our broad range of applications in various industries, Sefar is less vulnerable. Free trade agreements help in any case to cope with potential crises, whether within the EU or elsewhere. Any trade barriers, especially in a period of economic crisis, make business life very difficult and unpredictable, and they need to be eliminated. [ END ]

**SEFAR HAS A HIGHLY MULTINATIONAL WORKFORCE. A REDUCTION OF FREE MOVEMENT OF PERSONS WOULD SERIOUSLY JEOPARDISE OUR BUSINESS.**





# FTAs deliver tangible benefits for economic and social development

Paul Polman is CEO of Unilever, which makes some of the world's favourite brands. Its' global presence and local roots make effective trade frameworks vital to achieve its long-term ambitions.

36

## Why is the 40th anniversary of the Swiss–EU Free Trade Agreement (FTA) a cause for celebration?

As a long-term resident in Switzerland, and holder of an EU (Dutch) passport, my personal impression is that the bilateral agreements have not only delivered economic wealth, but have also provided a sound political platform and stimulated cultural exchange. The total trade volume of 260 billion euros in 2010 clearly reflects

the mutual importance and the tangible benefits resulting from more liberalised and open markets.

The FTA has also helped eliminate tariffs and other trade barriers, which has certainly incentivised companies like ours to invest in Switzerland. As we compete on a global scale with an integrated, transnational supply chain we welcome mul-

tinational frameworks that enable us to efficiently operate in the global marketplace.

## Has the agreement met your needs? Where do you see room for improvement?

We operate in an extremely competitive environment. In order to best serve our consumers and customers we are constantly looking for improvements throughout our value chain, seeking to leverage our operating framework for competitive advantage. We therefore welcome any trade enhancing improvements which enable us to remain “fit to win”.

After four decades I believe some aspects of the FTA, such as the provision of rules of origin, should be revised to reflect an increasingly interconnected world. Given the benefits of liberalised, non-discriminatory trade the integration of sectors that are currently excluded — such as agriculture — would further stimulate trade, economic growth and job creation.

## Which other bilateral agreements between Switzerland and the EU are important for Unilever?

As a country with limited natural resources, Switzerland has understood the competitive advantage to be derived from further developing intellectual capacity and a diverse population. The influx of qualified workers is proof of the attractiveness of Switzerland both as a business hub and a place to live.

Its central location in Europe within easy reach of key corporate and innovation centres has provided companies like ours with the opportunity to expand our business. We rely also in our Swiss operations on the best talent from all over the world to develop our business. Therefore the free movement of people will remain vital for the continued success of our local operations, and will contribute to a prosperous Swiss economy.

## What is the key to your business success?

Our business model is designed to provide long-term sustainable growth built on brands and innovations that keep pace with changes in consumer lifestyles and that appeal to people at all income levels.

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**THE BILATERAL EU-SWISS TRADE AGREEMENTS HAVE NOT ONLY DELIVERED ECONOMIC WEALTH, BUT HAVE ALSO PROVIDED A SOUND POLITICAL PLATFORM AND STIMULATED CULTURAL EXCHANGE.**

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### PAUL POLMAN

Paul Polman assumed the role of Unilever CEO in January 2009. Previously he was CFO of Nestlé SA. Paul began his career at Procter & Gamble where he was Group President Europe until 2001. He has a BBA/BA from the University of Groningen (the Netherlands) as well as an MA in Economics and an MBA in finance/international marketing from the University of Cincinnati (USA).

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We invest more than one billion euros every year in research and development and operate six major research laboratories as well as over 30 global and more than 90 regional research and development centres. Combining this expertise with our deep understanding of consumer needs allows us to use breakthrough technology to differentiate our innovations that we roll out faster and to more markets.

For example, sales of Dove exceeded three billion euros in 2011 — driven by innovations like Dove Men + Care — which was recently introduced in Switzerland. Another example of advanced technology is the Knorr “Bouillon Töpfl”. This is a jelly-like bouillon made entirely with natural ingredients that has proven to be a great success with Swiss consumers.

#### What is the scale of your operations?

Globally we employ 171,000 people, have operations in over 100 countries and sell our brands in more than 190 countries. While Europe remains a backbone for us, the emerging markets are a key driver of our growth and now represent over 50 percent of our turnover. We operate in four global categories: Personal Care, Foods, Refreshments and Home Care, with brands that cater for all our consumers at various price points and in markets around the world.

#### Unilever has a long history in Switzerland. What is the “added value” of having own operations here?

Knorr established its first production facilities in Switzerland in 1907, with a long-term vision of building a strong local food business in proximity to our consumers. Today, Knorr is the clear market leader, selling 70 million products a year, 90 percent of which are still locally produced at the original Knorr production site in Thayngen, based on Swiss recipes and quality standards. However, the local presence of such an iconic brand is not enough to guarantee Unilever’s success in Switzerland. Companies, just like countries and economic areas, must develop and maintain their competitive edge in order to succeed over time.

Despite its higher labour and living costs, Switzerland remains competitive. This is due to typical Swiss attributes such as pragmatism, stability, passion for quality, and a progressive attitude towards sustainable development. Furthermore, its labour market regulations are dynamic, the regulatory and political framework is both stable and efficient, Swiss workers are skilled, and infrastructure, education and research are among the best in the world. As long as Switzerland continues to cater for an increasingly interconnected world, it is bound to continue flourishing.

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**THE FTA HAS HELPED ELIMINATE TARIFFS AND OTHER TRADE BARRIERS WHICH HAS CERTAINLY INCENTIVISED COMPANIES LIKE OURS TO CONTINUE TO INVEST IN SWITZERLAND.**

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Interview by François Baur



# qualified help from the neighbourhood

Free movement of persons is one of the fundamental freedoms of the EU. Thanks to the associated bilateral agreement, around 400,000 Swiss nationals now live and work in the EU. At the same time, however, there is a shortage of specialised personnel in some sectors in Switzerland, which can be offset through qualified personnel from EU member states; a typical win-win situation.



1

**PHARMACEUTICALS** The chemicals and pharmaceuticals industry is one of Switzerland's most important sectors. In 2011, medicaments and vitamins worth 33.8 billion Swiss francs were exported to the EU, while 83 percent of Switzerland's imports of these products, amounting to 25 billion Swiss francs, came from the EU.

2

**MEDICAL EQUIPMENT** In 2011, Switzerland imported medical instruments and appliances worth 2.2 billion Swiss francs from the EU. And vice versa, Swiss companies exported medical products to the EU amounting to 5.1 billion Swiss francs — duty-free, thanks to the Free Trade Agreement.

3

**MICROSCOPE** Dutch scientist Antonie van Leeuwenhoek is regarded as one of the inventors of the microscope. Using his handcrafted microscopes, he was the first to observe and describe single-celled organisms. In 2011, Swiss companies exported microscopes to the EU worth 27.7 million Swiss francs.

4

**DOCTORS** Within the EU, Austria has the highest number of doctors per 1,000 inhabitants (4.67), while Poland has the lowest (2.17). With 3.81, Switzerland is somewhere in between.

5

**RESEARCH** The 7th EU framework research programme is the world's largest transnational promotion programme for research projects. It is scheduled to run from 2007 to 2013 and has a budget of approximately 54.6 billion euros. Through the agreement in the area of research, Switzerland is also participating in this programme with a contribution of 2.4 billion euros.



Contribution by Peter Flückiger  
and Mirjam Matti Gähwiler

Source: Swiss Federal  
Customs Administration



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## OUTLOOK

# Europe's future is a competitive economy

Although the European economy is still facing difficult times, the director general of BUSINESSEUROPE Philippe de Buck and the chairman of the executive Board of economiesuisse Pascal Gentina are optimistic if the necessary structural reforms are duly pursued. Increased cooperation between Switzerland and the EU could be a major factor for Europe's return to economic growth.

  
Interview by  
Jan Atteslander

40

**What is the outlook for the next few years?  
What can Europe do to remain an important  
player for the global agenda?**

*Gentina:* While the US economy seems to be gaining momentum, Europe is showing signs of a slowdown due to the debt crisis. Economic growth looks set to slow down in the major emerging economies, China, India and Brazil. A slowdown of the global economy is therefore the most likely scenario. At the same time, state interventionism and protectionist measures are on the increase throughout the world. This combination could give rise to a vicious circle, particularly to the detriment of internationally oriented economies in Europe.

*de Buck:* I am a bit more optimistic. We now have clear EU agreements to deal with the financial and debt crisis, which should stabilise financial markets. Protectionism is certainly a risk, but an ambitious free trade policy can also generate new opportunities for EU exporters. We must be clear that the EU will face major challenges in shifting the economy away from government spending to more private-sector-driven growth. This is why we are calling for a stronger EU growth strategy in areas like the internal market, innovation, energy policy, youth employment and free trade. We need to double the growth potential in the EU, and then Europe will be in a good position for growth.

**THE EU WILL FACE MAJOR CHALLENGES IN SHIFTING THE ECONOMY AWAY FROM GOVERNMENT SPENDING TO MORE PRIVATE-SECTOR-DRIVEN GROWTH.**

PHILIPPE DE BUCK

**Does the Asian economic success threaten wealth in Europe?**

*de Buck:* No, the opposite is true. While global trade has expanded exponentially due to Asian economic growth, the EU has maintained its global export market share at around 20 percent. European businesses have benefited tremendously from economic growth in Asia through trade and investment opportunities. We strongly support free trade and investment negotiations with major emerging partners like India and China, as well as the ASEAN countries. We are also closely following the scoping exercise with Japan, which could lead in the future to free trade negotiations, provided non-tariff barriers can be tackled.

*Gentina:* Asia is not just China or India. More and more Swiss companies have discovered countries in Southeast Asia, such as Indonesia, Malaysia and Vietnam, as locations for trade, sourcing or investment.

**What effects is the debt crisis having on European business?**

*de Buck:* We are concerned about the risk of a credit crunch and are closely monitoring the instruments that the European Central Bank is providing on a temporary basis to the financial sector. Governments will need to reduce public spending and we urge them to maintain investments in areas like education and infrastructure which will generate the growth of the future. We need to ensure that new financial regulations to stabilise the banking sector, coming out of the financial crisis, do not unduly harm trade finance. Trade finance is a low-risk financial activity that has hugely positive effects on economic growth. The EU and Switzerland should work together to ensure that export oriented companies, especially small and medium-sized ones, will be able to finance their trade transactions in the future.



*Gentinetta:* Switzerland is not an island, as 60 percent of its exports go to EU member states. Therefore we have a strong interest in stabilising the euro zone and are actively contributing to this aim. The Swiss National Bank has intervened heavily and currently holds 120 billion euros as currency reserves. In addition, Switzerland participated in the first IMF rescue package with a contribution of 14 billion Swiss francs.

**After two years of debt summits,  
is the EU finally on the right track?**

*de Buck:* Yes, we regret that the summits have taken so much time, but we now see the light at the end of the tunnel. Of course, the EU institutions will need to learn the lessons of the past: the recently approved fiscal rules will have to be applied in practice. In addition, the EU has to do more to press the case for structural reforms at the national level. *BUSINESSEUROPE* has recently produced its “Eurobarometer”, which assesses national reforms. We are convinced that these reforms, painful as they may be, are necessary to address the fundamentals of the economic crisis. At the same time, we need more leadership on the growth side of the equation. We can do more on the internal market, in the areas of free trade and investments in innovation, and to help young people find jobs. Regarding the latter point, *BUSINESSEUROPE* has just adopted a youth employment initiative which represents a highlight of our work in the social field.

**Will the EU become a “transfer union”?**

*Gentinetta:* Indeed, the volume of transfer payments and credits is set to increase. At the same time, central supervision and macroeconomic monitoring of member states will intensify.

*de Buck:* No. The EU will not become a “transfer union” as is the case in member states. There are some transfers via the EU budget, but these only represent 0.3 percent of EU GDP! The temporary funding to countries in difficulty is conditional upon those countries observing very strict criteria to restore their public finances. The peer pressure among countries to observe these criteria has increased significantly as a result of the decisions of the European Council.

*Gentinetta:* It seems that European politicians and central bankers are looking more closely at the Swiss version of the debt brake. Apart from debt rules, Swiss federalism — with strong competition among the cantons — and direct democracy have led to a higher budget discipline. There is also a transfer system here between high-income and low-income cantons.

**The European economy is expected  
to have low growth rates in the next few years —  
what could be done to unleash more growth?**

*de Buck:* Competitiveness will be the main factor. Our recent benchmark report on competitiveness shows the necessary steps. Thus, to tap into Asian opportunities we definitely need pro-competitive domestic regulations. The Unitary Patent, investments in research and innovation, retraining personnel to adapt to the job market and ensuring appropriate flexibility to allow companies to adjust to market demands are all essential elements that businesses need in order to be competitive. Additionally, businesses need a dynamic internal market to serve as a basis for global expansion. Here, the bilateral relationship between the EU and Switzerland can contribute by facilitating business cooperation across our borders.







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**IN THE FUTURE, EUROPE CAN MAINTAIN ITS WEALTH IF ITS ECONOMY IS A LEADER IN HIGH-TECH PRODUCTS AND IS COMPETITIVE WITH INNOVATIVE SERVICES.**

PASCAL GENTINETTA

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*Gentinetta:* Some experts anticipate that, for the next ten years, growth rates will be lower than one percent in Europe, around three percent in the USA and above six percent in Asia. If we want to prove such forecasts to be wrong, we need to dramatically improve our policies. Europe, including Switzerland, has a tendency to over-regulate its economy. In addition to sustainable public finances, European company tax rates have to become the best worldwide due to fair and lively tax competition. In the area of energy policy we have to be more proactive, especially when it comes to efficiency based on market principles. But European politicians are currently engaged

in a beauty contest for CO<sub>2</sub> reductions, instead of securing future energy supply. China and the USA are currently planning modern nuclear and coal power plants, while the European focus is on subsidising solar power without any evidence that it will be a competitive and reliable source of energy in the foreseeable future.

**What is Europe's main advantage in competition with America and Asia?**

*Gentinetta:* Europe is innovative, has a large internal market and sound infrastructure. In addition, if they are aligned to economic realities, high levels of social security and environmental standards in Europe can yield an advantage in global competition with Asia or America. These regions do not have the same levels yet. Our experience in energy efficiency combined with innovation is another area of comparative advantage.



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**PHILIPPE DE BUCK**

Philippe de Buck has been director general of BUSINESSEUROPE since 2002. With a doctorate in law from the University of Leuven, he started his career in 1971 as adviser with AGORIA, the employers' organisation and trade association of Belgium's technology industry. He moved up to general management and was elected Director General and eventually became Chief Executive Officer in 1987. Further, he is a member of the board of directors of ING Belgium Sa/NV and BASF Antwerpen NV, and a member of the advisory board of EURid and the European Policy Centre.

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*de Buck:* Europe has a high quality of life. This will be important in the "war for talents". The EU is the leading exporter of goods and services in the world. We are among the leading foreign investors. Our companies have recognised brands that symbolise high quality, high value added products and services that remain in demand. Globally, a further shortage of qualified personnel will become a bottleneck for growth. Europe needs more scientists, engineers, technicians and IT specialists. If we don't educate Europeans in these fields, we will find it difficult to retain high-tech sectors in Europe. The quality of education at all levels has to be improved. Not only through more public spending, but also through structural reforms that facilitate greater competition among colleges and universities.

**What action could the EU and Switzerland take in areas of common strategic interest?**

*Gentinetta:* In the future, Europe can maintain its wealth if its economy is a leader in high-tech products and is competitive with innovative services. In both areas we need to take action. Regulatory reforms are required for securing an enabling business environment.

**What role can Switzerland play for the competitiveness of the European economy?**

*de Buck:* Switzerland is the most competitive economy with high innovation. Thus the EU and Switzerland should intensify cooperation on research and development, as well as on education. We should keep in mind that the Swiss economy is the third biggest trade partner of the EU, after the USA and just behind China, but ahead of India. It accounts for 1.9 percent of global high-tech exports. The EU has a share of 15 percent of global high-tech exports. If Europe wants to grow in this area — and we are convinced that we have to — then the EU and Switzerland are strategic partners.



## PASCAL GENTINETTA

Pascal Gentinetta has been Chairman of the Executive Board of *economiesuisse* since 1 October 2007, where he had already been responsible for finance and tax policy since 1999. He studied economic and legal sciences at the University of St Gallen, and went on to obtain his Doctorate in Economics. From 1996 to 1999 he worked as an economist at the Federal Department of Finance (FDF) where he was responsible for the financing of large-scale infrastructure projects. Since 2008 he has been President of the Energy Agency for Industry and a member of the Board of Trustees of the Climate Cent Foundation.

*Gentinetta:* The Swiss dual education system with apprenticeship, colleges and universities which are integrated in a permeable structure might be one way — combined with flexible labour market regulation — to reduce youth unemployment.

### How can the EU and Switzerland improve market access abroad?

*de Buck:* The EU and Switzerland have been strong supporters of multilateral trade liberalisation at the World Trade Organisation, whose seat is in Geneva. Regrettably, the failure of the Doha Round negotiations leaves our governments with little choice but to pursue bilateral free trade options. By cooperating on trade negotiations, our economies can ensure that businesses will be able to develop market opportunities in growth dynamic regions of the world.

*Gentinetta:* EFTA and the EU have the same offensive interests. For example, in the question of trade facilitation: nowadays, bureaucratic border processing systems and procedures, poor infrastructure development, etc., are impeding trade even more strongly than tariffs. EFTA and the EU have a common interest in simplification, standardisation, modernisation of requirements, procedures, documents and fees for import, export and transit in WTO and FTA negotiations. They could cooperate in scoping model agreements and building capacities in emerging markets.

### What does the future hold for the Swiss–European relationship?

*de Buck:* Switzerland is an excellent example of good policies in areas such as public finance, competitiveness and innovation. We need to learn from the Swiss model. In addition, there is room for us to open our markets further in the future. The services sector is the next frontier for trade liberalisation and the internal market.

*Gentinetta:* It is important to note that the firm integration of Switzerland's economy into Europe strengthens growth both for Switzerland and the EU. Even though the negotiation of bilateral agreements is likely to become more difficult in view of the number of EU member states and the EU's demand for automatic adoption of its legislation, we are in favour of pursuing this path. The EU has a 40-billion-euro trade surplus in goods and services, and the Swiss economy is well integrated in the EU market. Among good friends there will always be the desire to find promising solutions for both partners. [ END ]



# 40th anniversary of the free trade agreement: a splendid partnership

Contribution by  
Jan Atteslander



This brochure focuses on the history, achievements and challenges of the Swiss–EU Free Trade Agreement.

What was the aim and context of the 1972 Free Trade Agreement? The FTA was part of a trans-European effort to safeguard market access between the EEC and EFTA member states. Six EFTA states concluded a free trade agreement with the European Economic Community that year. The UK and Denmark became a member of the EEC. There was a lot at stake: without close cooperation between the EEC and EFTA, the risk was high that the economy of Western Europe would be divided into two parts which would hamper each other with barriers to trade, investment and innovation. Such a development would have been detrimental to the European economy.

Why were the negotiations for the 1972 FTA successful? There are three main reasons. Firstly, the political leadership of the EEC and EFTA member states agreed on ambitious aims and principles. The negotiators had to draw up agreements in a relatively short time. The negotiations involved EEC and EFTA member states. Secondly, the resulting complexity was managed through coordination. And thirdly, EFTA members were committed to the fact that the separate free trade agreements would only be concluded if all member states found acceptable solutions. This meant that it was effectively a single undertaking.

### Outstanding mutual benefits

The six FTA member states not only achieved their goals, they also provided sufficient room for further integration. Some subsequently joined the EEC/EU, and three became part of the European Economic Area. Switzerland and the EU further improved cooperation and integration through a set of specific agreements, partnership in many initiatives and participation in important areas. Examples include bilateral agreements on the

elimination of technical barriers to trade, free movement of persons, and cooperation in the area of research and membership of Schengen/Dublin.

The mutual benefits are outstanding. The EU economy currently has an annual trade surplus in goods and services with Switzerland amounting to around 40 billion euros. Switzerland is the EU's third biggest trade partner behind the USA and China, but ahead of Russia and Japan. It is the quality of economic ties between the EU and Switzerland that is outstanding. Today, Switzerland is the seventh biggest EU/EFTA economy, and it ranks top in terms of global competitiveness and innovation. This success is simultaneously a result and a driving factor of integration.

Since 1972, the EEC has taken major steps in all areas. It created a single market with free movement of persons, capital, goods and services, as well as a monetary union. The enlargement to the south, north and east reunited Europe. Switzerland completely reformed and globalised its economic structures. From a safe haven for cartels it has evolved into a highly competitive economy. Innovation has become the main success factor for industries such as pharmaceuticals, machinery and watch making. Service industries such as financial intermediation, insurance, tourism and engineering have truly globalised their business models. This success has only been possible thanks to dynamic integration in world markets. In this process, the European market was not only the initial step for many new international business models, but also became the main market for many companies. Swiss foreign direct investments in Europe rose from 25 billion Swiss francs in 1985 to 426 billion in 2010.



### JAN ATTESLANDER

Jan Atteslander is a member of the executive board of *economiesuisse* and head of Foreign Economic Policy. He represents the private sector in the Balance of Payments expert group of the Swiss National Bank, and is a member of the Federal Commission on International Development Cooperation. Furthermore, he is active within the ICC at both the national and the international level, as well as on the BIAC Committee on Multinational Enterprises and International Investment and the EFTA Consultative Committee. Before 2008 he was a member of the executive board of an organisation representing large Swiss multinational companies, which he joined in 1999 after having been a research assistant at the University of Bern, where his area of research was investment theory.

### Emerging Asia: simultaneously a competitor and a market with enormous potential

Many forecasts expect growth in Europe in this decade to be much weaker than in other regions, especially Asia or the USA. However, Asia is still in a catch-up situation with a low per capita income. Europe is fully developed and has a population of around 500 million, and the EU/EFTA region is the biggest integrated economy worldwide. The contributions included in this brochure indicate that these forecasts could prove to be wrong — if the leadership of Europe takes the right policy decisions. What is needed is an enabling environment for entrepreneurial activity: faster reforms, fiscal discipline, investment in education and research, and further liberalisation in goods, services and labour markets. If, and only if, Europe significantly improves its competitiveness, then the rise of Asian economies will not be a threat, but rather an enormous potential that will drive growth and wealth in Europe.

### Why is the institutional question so important for our relationship?

Whether we are talking about the EU, the EEA or bilateral agreements between Switzerland and the EU, the institutional framework has become an important topic. In the case of EU–Swiss relations, this is not a new issue, but it has meanwhile gained in importance. Why? There are several reasons, but above all the European Union has grown in terms of size and activity, which has resulted in complex decision-making, supervisory and enforcement processes. Thus, for many the implementation of common institutional structures is a logical step. This is well understood in Switzerland, though with a small, but significant difference: Switzerland could accept functional equivalence of regulations and

an institutional structure governing the bilateral treaties in a more dynamic way, but it is not willing to adopt policy decisions and regulations of an irreversible nature from outside the country. So how can this difficult issue be approached?

### Three steps to further develop bilateralism

1. *More regular exchanges at the political level*  
Definition of long-term objectives for the bilateral relations in strategic areas with joint interests such as market access, international competitiveness, education, science and infrastructure
2. *Adoption of a more solution-oriented than system-oriented approach*  
The core political aim is to improve market access for both sides. Cooperation beyond market access will continue to be developed where mutual benefits are at hand
3. *Bottom-up evolution of institutional cooperation*  
Institutional improvements will be easier to develop with a focus on specific future bilateral agreements. This can be based on findings obtained from mechanisms in already existing agreements.

Our special thanks go to all who contributed to this short brochure: politicians, diplomats, business leaders. Our contacts to leaders, whether in the form of interviews or discussions, provided insights into the fascinating history of economic integration between Switzerland and the European Union, and also revealed glimpses into a promising future. Whatever the next steps on the path of Swiss-European economic integration may be, existing problems and limitations are far outweighed by the potential of a splendid partnership. [ END ]



**25 FEBRUARY 1957**

France, Belgium, the Netherlands, Luxembourg, Italy and the Federal Republic of Germany sign the Treaties establishing a European Economic Community (EEC) and a European Atomic Energy Community (or Euratom). ECSC, EEC and Euratom form the European Community (EC).

**3 DECEMBER 1972**

The population of Switzerland approves the Free Trade Agreement between Switzerland and the EEC by a majority of 72.5%.

**1 JANUARY 1973**

Denmark, Ireland and the United Kingdom join the European Communities.

**1 JANUARY 1986**

Spain and Portugal join the European Communities.

1950

1960

1970

1980

**18 APRIL 1951**

France, Belgium, the Netherlands, Luxembourg, Italy and the Federal Republic of Germany sign the Treaty establishing the European Coal and Steel Community (ECSC).

**22 JULY 1972**

Signing of the Free Trade Agreement between Switzerland and the EEC.

**1 JANUARY 1973**

Entry into force of the Free Trade Agreement between Switzerland and the EEC.

**1 JANUARY 1981**

Greece joins the European Communities.



**1 MAY 2004**

Extension of the EU to ten new Member States (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Malta and Cyprus).

**21 JUNE 1999**

Signing of Bilateral Agreements I (free movement of persons, technical barriers to trade, public procurement, agriculture, research, civil aviation, overland transport).

**1 JANUARY 1993**

The EU single market and its four freedoms are established: the free movement of goods, services, people and capital is reality.

**1 JANUARY 2007**

Bulgaria and Romania join the EU. There are now 27 Member States.

**25 JUNE 2009**

Signing of the Agreement on customs facilitation and security.

47

1990

2000

2010

2020

**6 DECEMBER 1992**

The population of Switzerland rejects accession to the European Economic Area by a majority of 50.3%.

**26 OCTOBER 2004**

Signing of Bilateral Agreements II (taxation of savings, Schengen/Dublin, MEDIA, education/occupational training/youth, customs fraud, processed agricultural products, environment, statistics, pensions) as well as the protocol for the extension of the Agreement on the free movement of persons to the new EU Member States. Entry into force from 2005 to 2011.

**1 JANUARY 1995**

Austria, Finland and Sweden join the EU.

**1 JUNE 2002**

Entry into force of Bilateral Agreements I.





economiesuisse

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#### ABOUT ECONOMIESUISSE

economiesuisse is the umbrella organisation of the Swiss economy. Its members include over 100 industry organisations, 20 cantonal chambers of commerce and around 50 individual companies representing 100,000 companies with more than two million employees. economiesuisse represents the interests of the Swiss economy in politics and towards the general public, and strives to create the best possible conditions for Swiss companies at home and abroad.

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#### ABOUT BUSINESSEUROPE

BUSINESSEUROPE plays a crucial role in Europe as the main horizontal business organisation at EU level. Through its 41 member federations, BUSINESS-EUROPE represents 20 million companies from 35 countries. Its main task is to ensure that companies' interests are represented and defended vis-à-vis the European institutions with the principal aim of preserving and strengthening corporate competitiveness. BUSINESSEUROPE is active in the European social dialogue to promote the smooth functioning of labour markets.

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