



European Policy & Open Markets

Switzerland and the United Kingdom: ***joint efforts for a prosperous future***

January 25, 2022

At a glance

Brexit has presented the Swiss economy with a multitude of challenges. However, it has also created a valuable momentum for further deepening bilateral relations between Switzerland and the United Kingdom. The expansion of existing agreements and the conclusion of new ones, as well as stronger cooperation on important issues for the future, are associated with sustainable positive effects on the competitiveness of both countries.

Executive summary

The United Kingdom's exit from the EU has had a noticeable impact on cross-border economic relations in Europe. Not only British and EU companies, but also Swiss businesses were confronted with tricky issues. These included in particular additional costs (e.g. customs duties), regulatory uncertainties, administrative burdens and delivery delays. This in times of a global pandemic and economic crisis. At the same time, however, it remains to be seen whether these short-term turbulences will also be reflected in a weaker economic development of the United Kingdom in the medium and longer term. In close exchange with the business community, Swiss government has succeeded in placing Switzerland's bilateral relations with the United Kingdom on a new contractual basis in good time. At present, the focus must be on further deepening bilateral economic relations. On the one hand, an early conclusion of the negotiations on a comprehensive financial services agreement is of great importance. On the other hand, the trade agreement should be expanded rapidly. But there is also interesting potential for cooperation beyond classical trade policy. For example, in the area of research, digitalisation, sustainability, but also within the framework of international organisations.

Positions *of economiesuisse*

- Switzerland and the United Kingdom are ideal economic partners in many areas. After successfully overcoming numerous Brexit challenges, bilateral economic relations should now be comprehensively deepened.
- Based on the principle of mutual recognition of national regulatory requirements, a comprehensive financial services agreement is intended to further strengthen the international competitiveness of the British and Swiss financial centres.
- The bilateral trade agreement primarily safeguards what has already been achieved so far. But only with comprehensive deepening (including digital trade, customs procedures, regulatory cooperation) can it strengthen British and Swiss companies in international competition in the medium and long term.

- Switzerland and the United Kingdom also have much potential for cooperation beyond trade policy. Cooperation should therefore be intensified on important topics of the future (e.g. digitalisation), but also within sustainability, research or in the context of international organisations.
- Promising bilateral relations require mutual trust and close networking between government and business. The newly launched bilateral 'Trade and Investment Council' under the leadership of *economiesuisse* and the Confederation of British Industry (CBI) will strengthen this exchange in the long term.



The United Kingdom in Europe – ***one year after Brexit***

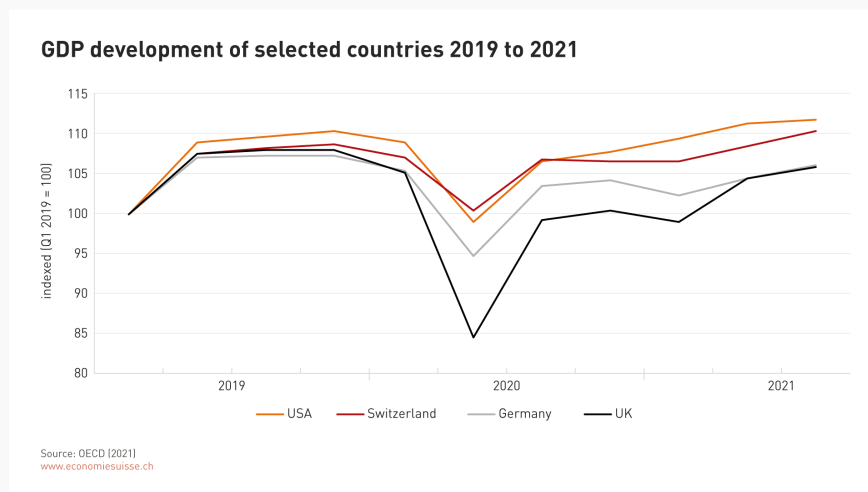
On 31 December 2020, the United Kingdom (UK) completed Brexit and left the EU. After almost 50 years of EU membership, it is once again a European third country. As a result of Brexit, the EU has shrunk by around 67 million inhabitants and one sixth of its economic output. It has also lost its third-largest contributor.

Leaving the EU dampens UK's economic development

Comparing the development of the gross domestic product (GDP) of the United Kingdom with other European states in the context of the coronavirus pandemic, it becomes clear that Brexit has dampened the economic recovery of the United Kingdom in the short and medium term. Experts from the non-partisan Office for Budget Responsibility of the British administration even estimate that economic development will be twice as badly affected by Brexit (-4 per cent GDP) as by the coronavirus pandemic (-2 per cent GDP). Specifically, the United Kingdom recorded the sharpest GDP decline of all G7 countries in 2020, which also include Germany, France, Italy, Japan, Canada and the USA (-9.8 per cent compared to the previous year). Germany – with -4.6 percent – and the Eurozone – with -6.3 percent – recorded significantly smaller welfare losses (see chart). Moreover, according to analyses by the Bank of England, declining

investment activity in the British private sector had already begun in 2019 as a result of Brexit uncertainties. In 2022, however, this negative trend is expected to reduce significantly. It will thus be interesting to see whether the British economy will be able to continue its strong catch-up movement in the second half of 2021.

Brexit has further increased the UK's economic downturn in the Corona crisis. However, the medium and long-term economic development depends on several factors.



The UK's manufacturing industry in particular struggled with operational problems in the first months after Brexit. According to the UK's Society of Motor Manufacturers and Traders (SMMT), for example, more than 60 per cent of its members needed significantly more time and resources to trade with mainland Europe than before Brexit. Specifically, it is not so much exports as primarily imports from the EU that have fallen sharply in the first half of 2021 when compared to the rest of the world (-27 vs. +39.7 per cent). However, the initially predicted collapse of the British **automotive industry** has so far failed to materialise. The **food industry** reported a 13.9 per cent year-on-year decline in exports to the EU for the first three quarters of 2021. But the services sector has also been hit: a study of the British **financial industry** reports that Brexit has led to 440 firms relocating to the EU. This was accompanied by the loss of 7,400 jobs and around 10 per cent of bank assets. Future economic developments in the UK – and for individual industries – will depend on sev-

eral factors. On the one hand, the course of the coronavirus pandemic and the development of global supply bottlenecks will be relevant. At the same time, however, it will also be decisive whether the UK succeeds in rapidly and substantially deepening relations with important economic partners after Brexit (e.g. the USA) and stabilising trade dynamics with the EU. Furthermore, economic policy decisions at home are also important in order to strengthen the competitiveness of British companies in the international environment. For example, the current British government is strongly promoting the production of electric vehicles.

Trade and Cooperation Agreement governs future EU-UK relations

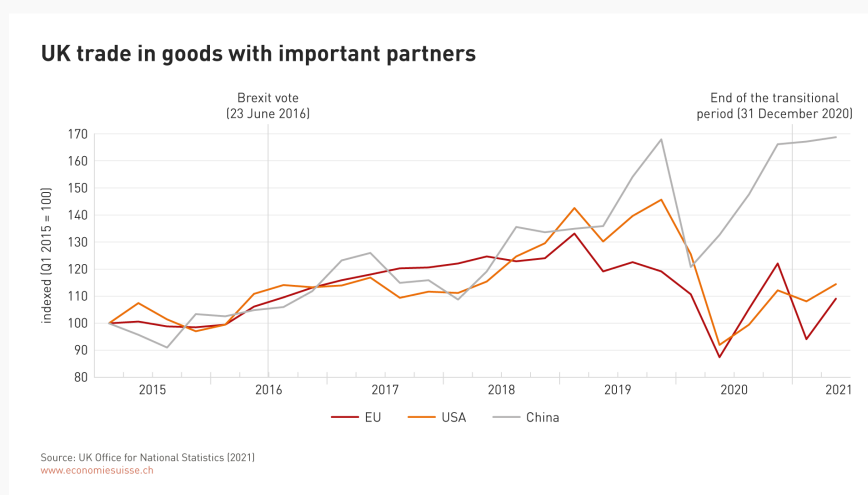
With the signing of the EU-UK Trade and Cooperation Agreement (TCA EU-UK) on 30 December 2020 (in force since 1 January 2021), both partners have a contractual basis for future relations. In terms of mutual market access, the agreement corresponds to a comprehensive free trade agreement – with important gaps (e.g. technical standards or financial services). In addition, the EU-UK TCA also regulates the coordination of social security, law enforcement, judicial and technical cooperation and participation in Union programmes. Despite a treaty agreement, tensions between the United Kingdom and the EU have recently been growing again. Currently, the agreements on fishing rights in the English Channel and the Northern Ireland Protocol are particularly controversial.

Brexit clouds British trade dynamics

Currently, UK trade and investment statistics only allow isolated conclusions about negative dynamics vis-à-vis current EU member states (EU-27) compared to other major trading partners (sources: ONS for goods and investment, WTO for services). Looking at the development of British trade in goods before the Brexit decision (23 June 2016) until today, several aspects are striking. While the overall trade volume has increased, there are differences in developments with the EU-27 states and other partners. The effects of the uncertainties surrounding the introduction of extensive border controls in EU-UK trade are also clearly visible: a sharp increase in trade volume towards

the end of 2020, followed by a massive slump in the first quarter of 2021 and a recovery in the middle of 2021. Various companies stocked up their inventories before Brexit during this period in order to avoid turbulence as a result of new border controls at the beginning of 2021. According to calculations by the Centre for European Reform, the UK's trade in goods in 2021 was 11 to 16 per cent lower than if the country had remained in the EU's single market.

With Brexit, British firms face a great number of new hurdles in trade with the EU. This weakens exports, but also accentuates supply shortages on the British Isles.



In the case of services, a different development can also be seen among important trading partners: while trade with the USA grew by 10.1 per cent between 2015 and 2020, trade with the EU-27 countries shrank by 1.5 per cent. Cross-border trade in shares of EU companies, for example, has shifted significantly to the EU. The decline was also evident in transport and tourism – an indication that the coronavirus pandemic was also having a major impact.

Britons feel Brexit directly

On a day-to-day basis, Brexit has had a noticeable impact on the British Isles. Delivery delays as a result of the introduction of extensive customs controls and regulatory checks between the EU and the UK are worth mentioning. These transport problems were and are a major problem for the export of

perishable foodstuffs from the UK (e.g. seafood). In connection with Brexit, however, the staff shortage has also become more acute as a result of the abolition of the facilitated work permit for EU citizens on the island. Jobs without higher qualifications in the transport industry, gastronomy, manufacturing and food processing are particularly affected. The consequences are gaps in supermarket shelves (e.g. meat, milk), rising energy and goods prices and temporary fuel shortages at petrol stations. It is important to note that not all of the problems mentioned were caused by Brexit alone. The impact of the coronavirus pandemic and the global shortage of various raw materials also play a significant role. And the skills shortage already existed in the UK before Brexit. Yet, leaving the EU has amplified many challenges.

A free trade agreement is not participation in the single market

The legal framework of EU-UK economic relations essentially corresponds to that of a modern free trade agreement (FTA). However, the EU-UK TCA is more comprehensive in certain areas than the FTA that the EU has concluded with Canada, for example (CETA). It also contains detailed provisions on ensuring equal and fair conditions of competition for all participants in a market ('level playing field'). The EU-UK TCA contains extensive competition and state aid rules. At the same time, minimum rules were also laid down in the areas of environment, tax, labour and social law. The EU-UK TCA also contains a ban on weakening or reducing current protection standards. For the EU, these rules are also mandatory for the future design of its relations with other European third countries – unlike with Canada, for example. This is with reference to the countries' geographical proximity and the intensity of the economic relations. Nevertheless, the departure of the United Kingdom from the EU single market is accompanied by the loss of numerous advantages in bilateral economic relations. The following areas are worth mentioning:

- new border controls on EU-UK trade in goods and advance declarations required
- exclusion from the network of EU free trade agreements including possibilities of cumulation of origin

- harmonisation in the certification and marketing authorisation of industrial products
- loss of passporting rights for financial services
- additional requirements for the provision of personal services
- no mutual recognition of professional qualifications
- more difficult access to skilled workers.

Northern Ireland – the only part of the UK with a physical border with the EU – is a special case. Both sides have agreed to avoid hard internal border controls in view of the Northern Ireland conflict. Therefore, certain EU regulations remain applicable in Northern Ireland and the European Court of Justice also plays a role in case of disputes.



Bilateral economic relations ***between Switzerland and the UK – taking stock***

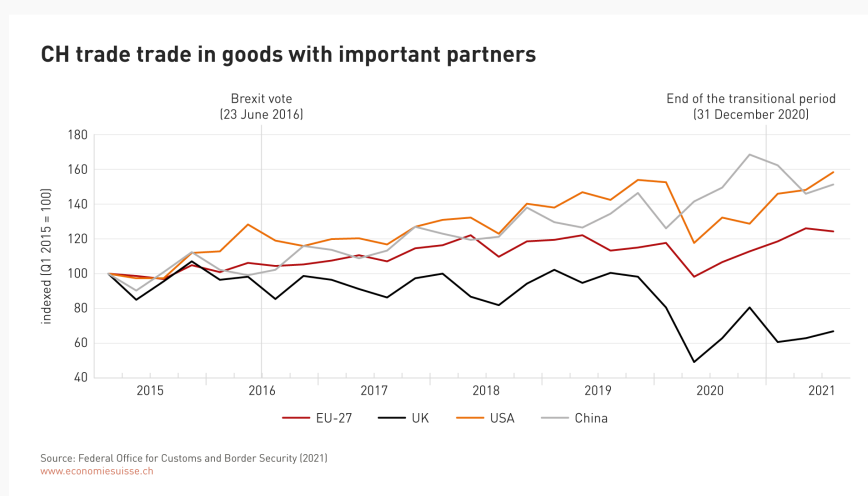
Brexit and the conclusion of the EU-UK TCA also put Switzerland under pressure to act in two respects: on the one hand, bilateral relations with the United Kingdom had to be placed on a completely new contractual basis within the shortest possible time as part of the ‘mind the gap’ strategy. This was because the bilateral treaties with the EU were no longer applicable to bilateral relations between Switzerland and the UK at the time of Brexit. On the other hand, with a view to the EU-UK TCA, it is necessary to address possible discrimination potentials of Switzerland vis-à-vis the EU in the relationship with the United Kingdom.

CH-UK: declining goods trade, increasing trade in services and investments

The United Kingdom is Switzerland’s third most important economic partner after the EU-27 countries as a trading bloc and the USA. Conversely, Switzer-

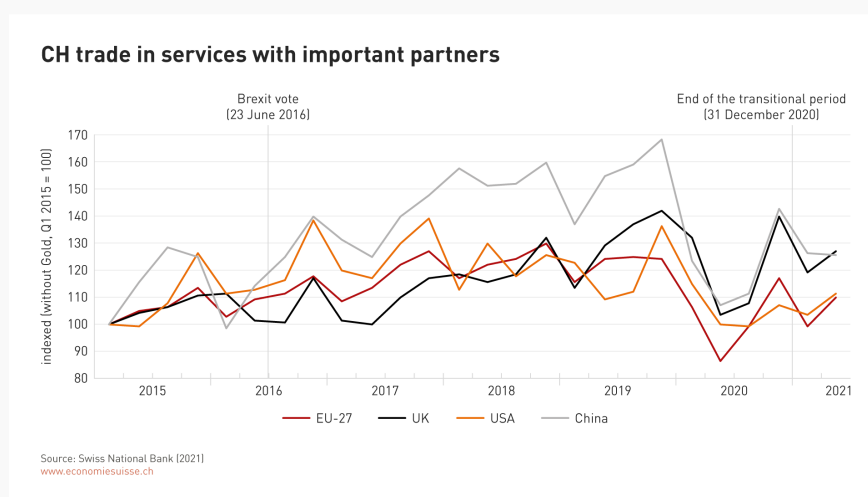
land is also an extremely important trading partner for the UK. Neither Brexit nor the coronavirus pandemic have changed anything about the UK's relative importance for Switzerland. This manifests itself in a bilateral trade volume of over CHF 35 billion (goods and services, excluding gold, 2020). Nevertheless, with regard to other important partners, it can be seen that goods trade has tended to develop negatively compared to 2015: in the first three quarters of 2021, trade in goods with the EU-27 countries was 24.6 per cent higher than in 2015, while trade with the USA and China was even 52.9 and 57.3 per cent higher, respectively. In contrast, Switzerland's goods trade volume with the United Kingdom fell by 31.8 per cent in the same period. All important Swiss export sectors were affected. Here, too, the strong increase in the last quarter of 2020 and the sharp drop in the first quarter of 2021 are striking. This confirms that the slump was not only caused by the coronavirus pandemic, but also to a large extent by the uncertainties of Brexit. For the subsequent quarters of 2021, the pharmaceutical, chemical and watch industries showed a slight recovery, while the mechanical and electrical engineering, metal and textile industries continued their downward trend again after a brief upturn in Q2. As the UK's border control regime has not yet been fully ramped up, it cannot be ruled out that further negative effects on bilateral goods trade dynamics could become visible in 2022.

The CH-UK bilateral trade in goods recorded a massive slump in 2021 and is recovering only slowly. Moreover, the control regime for goods imports at the British border will not be fully developed until 2022.



The United Kingdom also remains Switzerland's third most important partner in services trade, behind the EU-27 states and the USA, and ahead of China. In contrast to goods, however, the development here is positive: a comparison of the first two quarters of 2015 and 2021 shows a significant increase in Switzerland's trade in services with the United Kingdom (+21.1 per cent), whereas trade with the EU-27 countries increased much less (+2.2 per cent). The USA and China recorded an increase of 7.3 per cent and 16.7 per cent respectively in the same period. For the years 2020 and 2021, the influence of the coronavirus pandemic, combined with drastic restrictions in the cross-border movement of persons, is likely to have had a much stronger impact than Brexit: the pandemic has led to a drastic decrease in cross-border mobility – with or without the free movement of persons. Only when the epidemiological situation returns to normal will it be possible to make a more meaningful statement about the effects of the loss of the free movement of persons in relation with the UK.

In contrast to goods trade CH-UK, a positive development has been observed in services since 2015. Restrictive Corona measures make it difficult to assess the loss of the free movement of persons in the context of Brexit.



The economic importance of the United Kingdom for Switzerland is also reflected in direct investment: with a capital stock of CHF 89.4 billion, the UK was the third most important target market for Swiss foreign direct investment in 2020,

behind the EU-27 states and the USA. British direct investments in Switzerland amounted to CHF 62 billion in the same year. The bilateral investment dynamics (capital stocks) from 2015 to 2020 with the United Kingdom clearly exceeded those with the EU-27 countries: investments from Switzerland to the UK (+93.2 per cent) almost tripled in relation to those to the EU-27 countries (+32.6 per cent), and the increase on the USA was even greater (+42.5 per cent). British investment stocks in Switzerland rose by 49.7 per cent in the same period. By comparison, investments from the EU-27 countries grew by 23.6 per cent over the same period, and those from the USA by 64.2 per cent. However, British investments in Switzerland have been declining again since 2018.

Member survey: Swiss business anticipates calming after initial turbulence

Due to Brexit, a large number of Swiss export companies were faced with considerable challenges in the short term. This is confirmed by a member survey conducted by *economiesuisse* (November 2021). The most frequently cited problems in bilateral CH-UK trade included additional financial and administrative burdens (e.g. customs duties), uncertainties about the rules to be applied when exporting and delivery delays due to lengthy border controls. But companies also reported difficulties in the area of mobility and access to skilled labour.

Brexit confronted Swiss exporters with major challenges. In the medium and long term, however, confident forecasts for bilateral economic relations prevail.

Brexit problem areas of Swiss exporters in bilateral trade CH-UK



Source: economiesuisse (own representation)
www.economiesuisse.ch

Despite these problems, economic operators expect bilateral trade and investment relations to stabilize soon. This optimistic picture is based on the fact that the initial turbulence was also caused by European companies' and authorities' lack of 'routine' in dealing with the new legal framework post-Brexit. On the company side, this adjustment process included changes to internal processes, delivery deadlines, production and logistics networks, as well as special staff assignments and regular contact with the authorities. In addition, Switzerland and the United Kingdom were also able to address problems at the political level. Finally, the United Kingdom itself will also be able to clear up various uncertainties with a view to shaping future framework conditions. However, for Swiss companies, the UK's exit from the EU will inevitably be accompanied by new trade hurdles and additional costs for cross-border flows of goods and services in Europe (see chapter 'A free trade agreement is not participation in the single market'). A recent survey by the German Chamber of Industry and Commerce among its member companies on the issue of Brexit came to similar conclusions.

Contractual status quo of CH-UK bilateral relations largely secured

The 'mind the gap' fallback solution between Switzerland and the United Kingdom comprises nine agreements that have been in force (partly on a provisional or temporary basis) since 1 January 2021. They concern trade, mobility of service providers, insurance, aviation, road transport, acquired rights of citizens,

coordination of social security, police cooperation and customs procedures. In addition, the United Kingdom assures Switzerland that it will unilaterally guarantee all existing EU equivalence recognition in the financial services sector vis-à-vis Switzerland even after Brexit. This also includes Swiss stock exchange regulations, which the EU did no longer recognise as equivalent from 2019. The Swiss business community was closely involved in the implementation of the 'mind the gap' strategy by the Federal Administration. In essence, these agreements and unilateral measures secure the status quo of CH-UK relations as far as possible. The existing gaps are also due to the fact that the United Kingdom is seeking greater regulatory autonomy vis-à-vis the EU through Brexit. Compared to the situation before Brexit, Switzerland was unable to secure the status quo with the United Kingdom in the following four areas in particular:

- facilitation of entry and residence, but no continuation of the free movement of persons
- mutual recognition agreements (MRAs) in conformity assessments of industrial products for only three categories instead of the previous 20: vehicles, Good Laboratory Practice (GLP) and Good Manufacturing Practice (GMP)
- limited possibilities for cumulation in CH-UK trade with input materials from certain countries as a result of the UK's withdrawal from the PEM Convention.
- additional border controls on trade in goods as a result of the UK's withdrawal from the CH-EU Common Veterinary Area and the European Customs Facilitation and Security Agreement.

Preferential rules of origin in bilateral CH-UK trade

Due to differences in the content of the CH-UK rules of origin compared to the TCA EU-UK, cumulation¹ with input materials originating in the EU was not possible in CH-UK trade at the beginning of 2021. As a result, British and Swiss exporters had to pay new customs duties. In order to enable cumulation with input materials originating in the EU, Switzerland and the United Kingdom agreed to adjust the bilateral rules of origin on 8 June 2021. Specifically, the revised rules of origin of the PEM Convention were

incorporated into the CH-UK trade agreement as of 1 September 2021. This step removed a major obstacle to trade. The solution was preceded by an intensive but constructive exchange between the authorities and business representatives of both countries. Despite the new agreement between Switzerland and the UK, other cumulation problems remain in the new relationship between the EU, UK and Switzerland and with other trading partners. These problems cannot be solved within the framework of the CH-UK bilateral relationship, but only with the involvement of all parties concerned.¹ Cumulation involves adding up the value added that takes place in different free trade partner countries in order to meet the criteria for tariff preferences.

Addressing the potential for discrimination against the EU

The negotiations of the United Kingdom with the EU and Switzerland led in part to different results due to different interests. The parallelism of CH-UK and EU-UK negotiations as well as interdependencies in terms of content also played a role here. For Switzerland, the TCA EU-UK is particularly relevant in areas where the UK and the EU negotiated more far-reaching concessions than the UK and Switzerland.

A comparison of the UK's treaty relations with Switzerland and the EU reveals advantages for Swiss companies, but also potential for discrimination against EU competitors. These must be addressed.

| | |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Air traffic | Switzerland's advantage in flight rights. |
| Financial services | CH-UK: UK unilateral equivalence decisions and ongoing negotiations on a comprehensive financial MRA. |
| Recognition of professional qualifications | CH-UK: mutual recognition of university and equivalent degrees. |

EU-UK treaty provides the more substantial solution

| Topic | Comment |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Customs duties/quotas in trade in goods | UK-EU: duty- and quota-free trade in goods - also for agricultural products. |
| Digital Commerce | For the first time, the EU is making commitments on digital trade in an FTA with the UK. |
| Cybersecurity | UK-EU: Coordination at international level and cooperation within the framework of the EU IT Emergency Team and the EU Cooperation Group. |
| Research | UK-EU: Framework agreement on participation in Horizon Europe. |

Pros and cons on both sides

| Topic | Comment |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public procurement | EU advantage in hotel and restaurant services, dining services, beverage services and teaching services. Switzerland's advantage in public transport services, sea and inland ports, airports and construction services. |
| Personal service provision | EU advantage in legal advice and family reunion, Swiss advantage in auditors and the obligation to prove sufficient language skills. |

The overall comparison shows that the bilateral treaty solution between Switzerland and the United Kingdom should be improved in some points in the medium term, despite its good substance. On the one hand, it is important to avoid discrimination vis-à-vis the EU (e.g. public procurement, provision of services or digital trade). On the other hand, however, there are also opportunities to go beyond the existing contractual agreements in the bilateral relationship and thus tap previously unused potential. These fields of action are to be addressed in the context of the planned deepening of the CH-UK trade agreement (see chapter 'Lifting the bilateral trade agreement into the 21st century').



Calling for further deepening ***of relations with the UK***

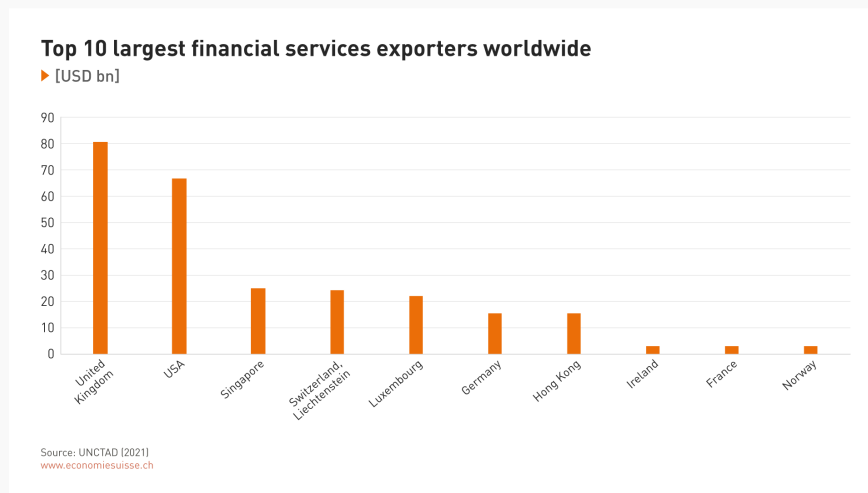
As already mentioned, the exit of the United Kingdom from the EU confronted both the British and the Swiss economy with a multitude of challenges. Now the focus must be on further deepening bilateral economic relations. Concrete steps in this direction have already been taken.

Bilateral financial services agreement with pioneering character

Switzerland and the United Kingdom are among the strongest financial centres and largest exporters of financial services in the world (see next chart). In view of these strengths and the fact that there are still considerable gaps in the bilateral treaty basis in this sector in particular, the financial and insurance industries of both countries have been campaigning for a comprehensive agreement for some time. The key points and priorities in this regard have been

developed by economiesuisse and TheCityUK in a comprehensive position paper.

Switzerland and the United Kingdom have the strongest financial centres in Europe and are also among the world leaders. A bilateral financial services agreement will further strengthen international competitiveness of both countries.



The principle of unilateral equivalence recognition of financial services, as applied by the EU so far, is not sufficient for Switzerland and the UK. This is due to the comparable approaches to financial market regulation and similar general supervisory regulations. Instead, mutual market access should be expanded – especially for banking and investment services, asset management, insurance and financial market infrastructure. The key principle should be mutual recognition of the relevant national regulatory requirements to the greatest possible extent. Moreover, from the point of view of the economy, this should be done on the basis of comparable results of regulation instead of identical regulations. Equally central is a deeper regulatory cooperation between the supervisory authorities of both countries. In addition, topics such as data and cyber security should be covered and stronger cooperation with a view to global regulatory standards and future liberalisation in the financial sector should be sought. Separate agreements may be necessary for this. At the political level, finance ministers Ueli Maurer and Rishi Sunak underlined their intention to deepen financial relations in a joint declaration on 30 June 2020. Since the beginning

of 2021, intensive negotiations have been underway with the close involvement of the relevant industrial sectors from both countries. The task is complex, and there are no precedents. However, important fundamental questions have already been clarified in recent months. At a meeting on 8 December 2021, the two finance ministers expressed the expectation that the negotiations would be concluded by the end of 2022. Now it is a matter of fleshing out the sector-specific market access aspects and the regulatory areas concerned. In parallel, the assessments of the supervisory authorities for the identified regulatory areas, which are to be recognised as equivalent, will be initiated. For the business community, it is important that the negotiation dynamics, the level of ambition in terms of content and timeframe, as well as the close involvement of all relevant sectors, are maintained until the end. If this succeeds, Switzerland and the United Kingdom would present the world's most comprehensive market access agreement in the financial sector between two countries. Together with a speedy ratification in domestic politics, this would also be a strong signal against international fragmentation and market foreclosure.

Bringing the bilateral trade agreement into the 21st century

The trade agreement between Switzerland and the United Kingdom primarily safeguards what has been achieved so far, therefore requires comprehensive consolidation. Talks on this have now begun at the political level. The Swiss business community sees the following areas for action in this regard:

The bilateral trade agreement primarily safeguards what has been achieved so far. Its comprehensive deepening and a stronger collaboration on important issues for the future will bring lasting benefits for both sides.

Deepening the FTA CH-UK: Expectations of the business community

| Subject area | Concrete proposals for solutions (not conclusive) |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customs duties and quotas | – Abandonment of still existing tariffs and quotas (e.g. for processed food). |
| Simplification of customs procedures | – Long-term supplier declarations. – Electronic document exchange. – Modernisation of the bilateral rules of origin (e.g. expansion of cumulation options). |
| Technical barriers to trade | – Deepening cooperation and coordination in the regulatory area. – Explore alternative models of mutual recognition for the outstanding product categories. – Relief from UK regulations on the use of the UKCA label. – Authorised representatives of Swiss exporting companies ('authorised representatives') do not have to be resident in the UK. – Strengthen intellectual property protection provisions. |
| Services | – Relief for short stays in the UK for business purposes (up to 90 days). – Extend mutual recognition of professional qualifications beyond the tertiary level. – Extend liberalisation to other sectors (e.g. catering and education services). – Address cross-cutting references in connection with the currently negotiated MRA in the financial sector. |
| Liberalisation in public procurement | – Extension of liberalisation to other sectors (including hotel, catering and education services). – Consider extending CH-UK national treatment in existing sectors. |
| More | – Deepened cooperation in the areas of cyber security and digital trade. |

Source: economiesuisse [own representation]

The listed areas can also be addressed in separate agreements.

Involve key trading partners in selected areas

Even with a comprehensive deepening of the trade agreement between Switzerland and the UK, problems remain. These cannot be solved within the framework of CH-UK bilateral relations, but only by taking into account all parties concerned. Regarding trade in goods, the accession of the United Kingdom to the PEM Convention would be beneficial for Switzerland in the area of cumulation of origin. In combination with an adjustment of the rules of origin in the EU-UK TCA, this could close the remaining cumulation gaps for Swiss companies in Europe. Furthermore, continental harmonisation in at least data protection is important for cross-border economic networks. The accession of the United Kingdom to the Lugano Convention would also be welcome. The agreement between Switzerland, Norway, Iceland and the EU ensures that judgments in civil and commercial matters can be mutually recognised and enforced by courts of the signatory member states. It thus increases legal certainty for the contracting parties. So far, the EU, also a contracting party to the Convention, has spoken out against such accession.

Deepen bilateral cooperation on issues of the future

Switzerland and the United Kingdom are among the most innovative economies, have the strongest financial and research centres in Europe and are also leaders in the manufacturing industry in many sectors. It is therefore obvious that for the two states there is also interesting potential for cooperation beyond classical trade policy. Increased bilateral cooperation between British and Swiss universities and research institutions should be mentioned here, as well as a number of future topics in the financial sector (e.g. fintech, sustainable finance) and digitalisation (e.g. artificial intelligence, blockchain). Both countries are also able to provide valuable impetus to the global development of technical standards. Within the framework of their activities in international organisations (e.g. WTO, OECD), there is also the opportunity to better assert common concerns through stronger coordination of their activities. This can involve trade, climate and sustainability issues, but also other economic policy topics of European or global significance. Finally, another special feature of bilateral CH-UK relations is the fact that, since the Brexit decision in 2016, not only have exchanges at governmental and administrative level deepened significantly but there have also been numerous contacts and discussions between the economic actors of both countries at various levels since then. This intensity is also extraordinary in comparison to other economic partners of Switzerland and has sustainably strengthened mutual understanding and trust.

Business community launches Bilateral Trade and Investment Council

Despite the great potential for the future in bilateral relations, there is currently no platform that enables a constant exchange between politicians and the private sector in both countries across all relevant sectors and government agencies. That is why *economiesuisse* and the Confederation of British Industry (CBI) are launching a Bilateral Trade and Investment Council in 2022 to fill this gap. The aim is to bring together high-ranking government, administrative and business representatives from both countries on a regular basis. With the participation of the member associations and companies, current challenges in bilateral trade are to be discussed together, opportunities for the further deepening of relations are to be identified, and the potential for cooperation in economic and political

trends is to be explored. In this way, the Swiss and British private sectors are actively contributing to ensuring that the current momentum in bilateral relations can be used successfully for both sides.



Growing together ***with bilateral networking***

Brexit has had major trade, administrative and regulatory implications for all countries in Europe. However, the reshaping of bilateral relations with the United Kingdom also opens up new opportunities for Switzerland. Switzerland and the United Kingdom are ideal economic partners in many areas. This is supported not least by their international competitiveness, strong innovative capacity, openness, political independence, sense of pragmatism, geographical proximity and the close contacts that already exist at government, administrative and business level. On this basis, bilateral relations can be profitably deepened for both sides. The UK's exit from the EU has not so much changed the numerical significance of the CH-UK bilateral relationship as expanded the scope of what is politically feasible. Even though the EU will remain Switzerland's most important economic partner in Europe, Brexit has created numerous new opportunities that must be exploited. If this succeeds, it will have positive effects on the competitiveness of both countries and the dynamics of bilateral trade and investment. It is also an opportunity for Switzerland and the United Kingdom to position themselves more strongly on important issues of European and global significance.