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Competitiveness requires both: ***Bilaterals III and domestic reforms***

13.03.2026

At a glance

- Current studies by Ecoplan and BAK confirm the positive effect of Bilaterals I on economic performance and prosperity.
- Immigration not only benefits immigrants, but also the resident population.
- Domestic reforms are important and must be addressed. However, they are not an alternative to the bilateral agreements.

The economic benefits of the bilateral agreements have been repeatedly confirmed by various studies. The most recently updated results from Ecoplan and BAK also underline the positive impact of Bilaterals I. With this foundation, Switzerland's economic output will increase significantly more in the coming years than without the agreements. The per capita effect is also positive. In the long term, the bilateral agreements are conducive to the creation of prosperity. However, not everyone wants to admit this yet. A new report describes the consequences of the abolition of Bilaterals I for the Swiss resident population as "practically negligible". The model calculations would significantly overestimate the positive effect of the Bilaterals I for the domestic population. This criticism falls short of the mark.

Natives also benefit from immigration

The benefits of the bilateral agreements are positive. It is clear that the immigration of qualified workers within the framework of the free movement of persons (FMPA) plays its part. However, anyone who claims that only the immigrants themselves benefit, while the resident population goes away empty-handed, is simply ignoring important points:

1. The model calculations show a positive effect on the gross domestic product per capita. The fact that the population is growing partly due to immigration is already taken into account.
2. FMPA immigration is primarily complementary. Foreign workers do not displace the Swiss workforce, but rather complement it. Several reports by the Observatory on the Agreement on the Free Movement of Persons between Switzerland and the EU confirm this.
3. The domestic workforce is shrinking. At the same time, the number of retirees is rising sharply. Immigrants are financing part of the associated additional expenditure. A proper analysis of the distribution effects must take into account the fact that the native population would be burdened more if there was less immigration.

In any case, irrespective of these points, it is inadequate to assess the benefit of a worker solely on the basis of their income. When a baker sells a loaf of bread, he generates income. At the same time, the buyer derives a benefit from the bread, because otherwise he would not have bought it. Immigrants who work

in a hospital generate income. The patient benefits from the medical service that they might not otherwise receive. The benefit therefore also accrues to the locals.

Internal reforms are not alternatives to the bilateral agreements

Towards the end of the report, the authors list alternative measures to "strengthen competitiveness independently". The economic effect of the bilateral agreements could be compensated or even surpassed with growth-oriented domestic reforms. In fact, there are many good domestic reform proposals that could increase GDP per capita. *economiesuisse* has been supporting such demands for years. Regulatory relief and a reduction in bureaucracy, structural adjustments to social security schemes such as old-age and survivors' insurance (AHV) and a limitation on government spending growth are needed to strengthen our competitiveness. Unfortunately, politicians have so far lacked the will to finally tackle these urgently needed reforms. Politicians are constantly creating new regulations, deciding on new expenditure and, as recently experienced, slashing a package to combat the growth in expenditure until almost nothing is left but skin and bones. The political willingness to make structural adjustments to the AHV is also manageable at present, to put it mildly.

However, none of these necessary reforms are alternatives to the bilateral agreements. Domestic policy reforms cannot replace the bilateral agreements. Switzerland needs both: we need to secure the bilateral path and at the same time tackle domestic issues. The two options are therefore not an either-or but a both-and. This is the only way to strengthen the competitiveness of our business location.



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