  

European Policy & Open Markets, Industrial Policy, International Market Access

# “Buy European”: Switzerland is part of the ***European value chain***

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## At a glance

- Switzerland is the third-largest investor and the fourth-largest trading partner in Europe.
- The EU aims to better protect its market with a series of regulatory proposals. Although these protective measures are not primarily directed against Switzerland, they also affect our country and Swiss companies.
- The Swiss business community will participate in the political process until an agreement is reached at the EU level.
- The Bilateral Agreements III are the only viable opportunity to build a bridge.

This week, the EU published the **Public Procurement Act** (PPA), thereby consistently pursuing its policy of economic sovereignty. Under the concept of “European preference” (“Buy European” principle), Brussels is seeking to strengthen domestic industry. The goal is to reduce strategic dependence on third countries—particularly China and the U.S.—and to use its own single market as a lever for its economy. Public procurement in the EU is significant: They account for about 15% of gross domestic product (approximately 2.5 trillion euros per year). In the future, these taxpayer funds are to be used specifically to support European companies. Public authorities are to be granted the right to reject bids if the share of European value added is less than 50 percent.

European lawmakers are currently finalizing their positions on the **Industrial Accelerator Act (IAA)**. However, the discussion within the EU over what should be defined as “European” in the future is not yet concluded. Some EU member states are calling for a narrow definition that would require third countries to be treated on an equal footing. Other member states are more open-minded. It will therefore be crucial for Switzerland to ensure that it is not discriminated against and that Swiss products are included in the “Buy European” initiative.

## A blueprint for all future legislative proposals

In addition, further EU legislative proposals are in the works:

- The **Cloud and AI Development Act** (CADA), published in June, aims to strengthen the EU’s technological sovereignty, competitiveness, and digital security in the areas of cloud infrastructure and artificial intelligence (AI).

- The **Innovation Act** , which was also published on September 9, aims to require public agencies in EU countries to give preference to European startups and developers when jointly developing new prototypes not yet available on the market.

The draft legislation to reform European public procurement law could thus become a core element of the "Buy European" principle.

## Higher procurement costs, longer delivery times, and more red tape

If regulations are tightened, Swiss companies face the threat of new trade barriers as well as increased bureaucratic burdens. After all, companies that wish to participate in future EU public tenders will have to meet and demonstrate compliance with these requirements. The result would be higher prices and delays in the introduction of innovative offerings.

## Switzerland is part of the European value chain

In many industrial sectors, Swiss companies are an integral part of European value chains. Many Swiss companies supply key technologies that are also in demand on the European market. For example, Swiss firms provide cutting-edge technology and essential components without which the European Ariane rocket could not fly into space. Swiss electricity producers are also major investors in European electricity infrastructure and contribute to sustainable electricity production in the EU. The Swiss AI Hub also makes a significant contribution to the development of European AI solutions.

## Building a Bridge with Bilateral Agreements III

It is clear that the EU is leveraging the power of its single market. The Switzerland–EU procurement agreement entered into force in 2002 along with the Bilateral Agreements I. It covers sectors such as rail, telecommunications, and energy. However, research and development are not explicitly included. Including them would require a new agreement between Switzerland and the EU. This, in turn, would require a stabilization of the relationship—as with the Bilateral Agreements III package.

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