

"From an economic perspective, Brexit and disintegration are synonymous"

The United Kingdom's withdrawal from the European Union has been a major challenge for the Swiss economy. But ultimately, how has it impacted Swiss companies? And what effects are still evident today? Thomas A. Zimmermann, Head of Switzerland-UK Trade Negotiations at SECO, provides some insight.

The UK is Switzerland's eighth largest export partner. In 2021, CHF 7.8 billion worth of Swiss goods (excluding gold) was purchased by the UK, accounting for 3% of total exports. With CHF 4.3 billion in imports in 2021, or 2.2% of the total (again excluding gold), the UK is Switzerland's ninth most important supplier. If gold trade is included, the values are even higher and reach a total volume of CHF 46 billion for exports and imports together, which corresponds to 7.2% of Switzerland's total trade. Outside trade in gold, chemicals and pharmaceuticals, precision instruments (especially watches), and machinery are the main trading sectors. Trade relations between the two countries are also strong in the service sector: licensing, transportation, financial services, and insurance, as well as consulting and ICT (Information and Communication Technology). Direct investment represents another key activity.

Given this substantial trade relationship, the Confederation had to anticipate the UK's exit from the European Union, which took effect on January 1, 2021. To avoid adverse economic implications, SECO has negotiated alternative trade agreements with the British. Other federal offices, the Federal Department of Foreign Affairs and the Swiss Embassy in London have also participated in these efforts. Thomas A. Zimmermann, who is in charge of Switzerland-UK trade negotiations, recalls the challenges that were faced, the issues that are still pending, and the prospects for future relations between the two countries.

After the Brexit announcement, what areas of Switzerland-UK relations needed to be addressed most urgently?

Thomas A. Zimmermann: With Brexit, the United Kingdom (UK) left the European Union (EU). Therefore, we had to find alternatives in all areas where bilateral agreements between Switzerland and the EU had governed our relations with the UK. On the trade front, the most pressing issue was the free trade agreement (FTA), concluded between Switzerland and the EU in 1972, which provides for duty-free bilateral trade in industrial goods and a partial liberalization of trade in processed agricultural products. Without a replacement of this agreement, tariffs would have been levied on imports of Swiss goods into the U.K. and British products into Switzerland from January 1, 2021.

What sectors have already been the subject of agreements between the two countries?

Zimmermann: The provisions made by the aforementioned FTA were transferred to the Switzerland-UK trade agreement of February 2019, which came into force on January 1, 2021. The aim was to maintain as far as possible the rights and obligations that had existed until then between Switzerland and the UK when it was still in the EU. Agreements in agricultural trade, government procurement, anti-fraud, mutual recognition of compliance assessments and customs security have also been transferred from the Switzerland-EU trade agreement to the Switzerland-UK one. We were also able to conclude an agreement with the UK on mobility of service suppliers. In line with the Federal Council's "Mind the Gap" strategy, other elements such as transport, direct insurance and social security, which were covered by the existing bilateral agreements with the EU outside the trade sector, have been transferred to new agreements between Switzerland and the UK.

Are there any issues still under discussion between the two countries?

Zimmermann: The most urgent issues in the trade sector have been resolved. However, a few points remain to be clarified. For example, the Switzerland-EU agreement on technical barriers to trade (Mutual Recognition Agreement, MRA) could only be partially continued with the UK. This is because the UK has left the EU's internal market. As a result, the alignment of EU law with UK law - which was the basis for the MRA as an internal market agreement - is no longer guaranteed.

Also, the potential for further development between our two economies is strong. We have accordingly started discussions with the UK with a view to modernizing our trade agreement. Given that the 2019 trade agreement has essentially taken over previous agreements into the bilateral relationship between Switzerland and the UK, certain issues that are now part of the standard repertoire of modern free trade agreements are not covered. These include trade in services and investment, intellectual property protection, and sustainability. The State Secretariat for International Finance is also conducting negotiations with the UK on an agreement in the financial services sector.

How has Brexit impacted Swiss companies?

Zimmermann: From an economic point of view, Brexit and disintegration are synonymous, which brings its share of disadvantages for most companies. Thanks to the agreements that have been reached with the United Kingdom in the interim, these negative effects have been curbed. Brexit has only yielded occasional benefits for our economy - for example, in the area of mutual stock exchange relations which Switzerland and the UK have been able to normalize.

Are you in contact with any companies or business associations for whom Switzerland-UK relations are important?

Zimmermann: Yes, SECO services are often in touch with associations and companies. At the beginning of the post-Brexit era, i.e. from January 1, 2021, companies reported various problems to us, especially regarding cumulation of origin. For a period of time, when exporting Swiss goods to the UK, it was no longer possible to account for intermediate materials from the EU, thus calling into question the duty-free status of our exports. We were able to resolve this problem quickly through intensive negotiations with our British partners.

How do you see the future of Switzerland-UK trade relations?

Zimmermann: Despite their differences, Switzerland and the UK have much in common: both countries are highly developed and open European economies, are outside the EU and pursue an independent foreign economic policy. Even if the two have different interests in certain areas, we see a real potential for closer cooperation. And we want to make full use of this potential, for example through the modernization of our trade agreement mentioned above.

Information

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Ambassador Thomas A. Zimmermann, who holds a doctorate in economics from the University of St. Gallen, has been head of SECO's Special Foreign Economic Service Division in the Foreign Economic Affairs Directorate since 2020. In this capacity, he is responsible for Switzerland-UK negotiations in the trade sector. Since 2003, he has held various specialist and management positions within SECO.

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