

Brussels, 17th June 2019

Dear Mr. President,

I will not be able to attend this week's meeting of the college, as I will represent the Commission at the General Affairs Council in Luxembourg for the discussion on the annual enlargement package. I may therefore set out my views on the Switzerland file in this letter, on top of the information note which fully captures the state of play.

Building on your strong personal investment throughout this mandate, I had a dozen political contacts with my Swiss counterpart, Federal Counsellor Cassis, in 2018 alone. Based on the tireless groundwork of our technical negotiators, we agreed a final text of a draft Institutional Framework Agreement (IFA) at the end of November last year, which was then subject to an internal "consultation" of stakeholders in Switzerland in the first months of 2019.

As you know, Switzerland is one of the main beneficiaries of the EU internal market, thanks to a large number of bilateral sectorial agreements. However, this mutually beneficial situation is increasingly strained. The draft IFA, which covers the main existing market access agreements and all future ones, addresses the serious concerns that all EU institutions have raised for many years: the insufficient take-over and selective application of our evolving "acquis" by the Swiss authorities - resulting in a lop-sided playing field and outright discrimination against our businesses; the lack of clear rules and enforcement methods for state aids; and an absolutely insufficient dispute settlement system which undercuts legal certainty.

At the same time, the IFA goes a long way in addressing Swiss domestic concerns, including on the so-called "flanking measures" of social protection. In other words: this is a workable and sustainable compromise on the basis of which our bilateral path could continue. I am grateful for the constructive attitude of all Commissioners concerned and their teams, notably Marianne Thijssen, Margrethe Vestager and Vera Jourova.

Unfortunately, I have the distinct impression that the Swiss government has been playing for time ever since our political agreement last year. They are not willing to commit ahead of their national elections in October 2019. Despite a rather constructive internal consultation in spring, the Federal Council has not clearly endorsed the IFA as agreed (let alone submitted it to the Swiss Parliament), but asked us for additional "clarifications". These requests are not innocent but amount to a re-opening of the agreement on the key aspects (state aids, free movement and discriminatory flanking measures). Moreover, despite your readiness to swiftly provide such targeted clarifications in writing, the government is not engaging seriously. On the contrary, it is scheduling further unspecified internal "consultations", and not working hard enough on its own domestic landing zone.

You will recall that the College had decided a limited, half-year extension of the stock market equivalence for Switzerland at the end of last year, expiring at the end of June 2019. This was precisely meant to provide an additional, visible and highly symbolic incentive for Bern to conduct their consultations swiftly and rally behind the draft Agreement, with a view of signing it still during our mandate.

I have to conclude that the steps taken by Switzerland over the last months are clearly insufficient in this regard. The political will we would need to see is not there. As things stand at the time of writing, I do not see satisfactory grounds for the College to propose a further extension. In fact, an expiry of the "equivalence" may be just the warning shot across the bow they need. We should of course indicate that we are willing to revert on this if there is credible and lasting buy-in in Bern. Also, from contacts with the financial sector, I understand that an expiry will cause no major disruptions, as the sector has already been preparing for this scenario.

We simply cannot accept further attempts of foot-dragging and watering down internal market rules, especially in what is probably the decisive phase regarding Brexit. In short: I believe we have no choice but to pass this crystal-clear message that the IFA as it stands is as good as it gets and that we share an interest in moving ahead on this basis.

Yours faithfully

Johannes Hahn



Jean-Claude Juncker  
President of the European Commission  
Berl 13/057

Copie: Mr Martin Selmayr, Secretary General  
Ms Clara Martinez Alberola, Head of Cabinet of the President