

Scenario 2: "Slow erosion"

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In the second scenario, the package is rejected, either in Parliament or in a popular vote. The existing agreements remain in force, since the rejection of the package does not terminate them, but the Union refuses to update them and declines new agreements. Over the following decade, the gap between the static agreements and the evolving Union law widens. The Mutual Recognition Agreement becomes obsolete in one sector after another as Union product legislation is revised, the air and land transport agreements become harder to operate and research association is again suspended.¹

Basel would suffer more than most regions in this scenario. The pharmaceutical groups would face rising compliance costs as recognition of their quality testing lapses, research institutes would lose access to European funding and networks, and the electricity system would remain outside Union market coupling with growing risks to winter supply. The financial centre would feel the erosion indirectly, through a weaker regional economy and a deterioration of the political climate that might lead to further unilateral measures. The likelihood of a constructive solution for financial services would recede further. Advisers would see more demand for structuring solutions, including Union subsidiaries, relocation of functions and the use of hubs such as Luxembourg and Frankfurt.²

1 Notes

1. On the gradual erosion of the bilateral agreements in the absence of updates, see the Federal Council's report of 2021 on the consequences of the termination of negotiations on the institutional agreement and later analyses. To be verified. ↩

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2. Scenario construct of the author; on the experience of Swiss firms relocating functions to EU subsidiaries after 2019 and 2021, see the reports of the Swiss Bankers Association and SIF. Speculative. ↩

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