

Switzerland and the European Union — overview and summary

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No external relationship shapes the conditions of business in Basel as directly as the relationship between Switzerland and the European Union. The city borders two member states, draws a large part of its workforce from them, sells most of its pharmaceutical exports into regulated markets that depend on mutual recognition, and runs its university and research institutes in a European scientific community whose programmes Switzerland has entered, left and re-entered several times. Earlier Parts have touched on this relationship from many angles: the frontier workers and the free movement of persons in Part H, Chapter II, the customs border in Part H, Chapter III, the Solvency II equivalence and the insurance agreement of 1989 in Part I, Chapter II, the absence of a European passport for Swiss banks in Part E, Chapter II, and the Erasmus programme as a symbol of Switzerland's place in Europe in Part B, Chapter II. This chapter draws these threads together and asks how the relationship might look in 2035.

The method follows that of the other chapters of Part K. The first half sets out the present baseline: the treaties that govern the relationship, the failure of the institutional framework agreement in 2021 and its consequences, and the new package of agreements negotiated between 2024 and 2026, whose ratification was still under way in the autumn of 2026. The second half turns to the drivers and uncertainties and develops four scenarios for 2035, with signposts to watch and implications for banks, pharmaceutical companies, frontier workers and advisers. The scenarios are the author's analytical constructs. They do not predict the outcome of any parliamentary decision or popular vote, which belongs to the Swiss electorate and its cantons.¹

1 Notes

1. On the scenario method used in this Part, see Pierre Wack, "Scenarios: Uncharted Waters Ahead", Harvard Business Review 63 (1985), no. 5, pp. 73–89; Peter Schwartz, The Art of the Long View, New York 1991; Kees van der Heijden, Scenarios: The Art of Strategic Conversation, Chichester 1996. Cross-reference to the introduction of Part K. ↩

2 Conclusion

The relationship between Switzerland and the European Union has moved from the free trade agreement of 1972 through the rejection of the EEA in 1992, which Basel did not share, to the bilateral agreements of 1999 and 2004, the failure of the framework agreement in 2021 and the package concluded politically in December 2024 and signed in March 2026. As this chapter is written, the package is before Parliament, and the question of whether its approval requires a majority of the cantons as well as the people remains open. The rejection of the "No to 10 million Switzerland" initiative in June 2026 removed an immediate threat to free movement, although it did not end the debate on immigration. Financial services remain outside the package, and the application of Article 21c CRD from 2027 will narrow the room for cross-border banking from Basel into the neighbouring countries whatever the fate of the package.

The four scenarios, from "Anchored partnership" through "Slow erosion" and "Guillotine" to "Variable geometry", show how strongly the future of Basel depends on decisions taken in Bern, in Brussels and at the ballot box. The city that Erasmus chose for its openness has repeatedly voted for openness at the ballot box. Its interest in a stable relationship with its neighbours is evident in its labour market, its industry and its university. Whatever the outcome, the financial centre of 2035 will also be shaped by a force that crosses all borders: artificial intelligence, which may change the way financial services are provided, translated and supervised. The next and final chapter of this Part turns to that subject.

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