



Department for
International Trade

Continuing the United Kingdom's Trade Relationship with the Swiss Confederation

Agreement establishing a Trade Agreement between the Swiss Confederation and the United Kingdom of Great Britain and Northern Ireland.

February 2019



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Introduction

1. In line with the Minister for Trade Policy's commitment to Parliament, this report explains the Government's approach to delivering continuity in the trade relationship of the United Kingdom (the "UK") and the Swiss Confederation ("Switzerland") as we leave the European Union ("EU").
2. As the UK leaves the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
3. To achieve this, The Government has developed new bilateral agreements that replicate, as far as possible, the effects of the EU's existing trade agreements with existing partners.
4. Wherever possible, the Government has done so in the same way with all partners, but in some cases for technical reasons it has been necessary to apply bespoke solutions for individual agreements.
5. The UK's current trading arrangements with Switzerland are complex. There is no single comprehensive trade agreement between the EU and Switzerland but a series of smaller agreements that have been built up over 47 years. Insofar as these agreements concern trade, they focus on trade in goods, whilst also addressing some other areas such as government procurement. There is no comprehensive agreement on trade in services to replicate. The Government has, separately, come to a bilateral agreement with Switzerland on citizens' rights which safeguards the rights of Swiss nationals in the UK and UK nationals in Switzerland, allowing them to continue living their lives broadly as they do now. It has also reached a separate agreement on direct non-life insurance, replicating the effect of the existing EU-Switzerland Agreement.
6. The Government has worked to transition the agreements relevant for trade by incorporating them into a single agreement through use of an "Umbrella Instrument", which is explained further in the section titled Explanation of the Umbrella Instrument. This approach does not impact on the content of the agreement or on the UK's approach of seeking continuity of effect.
7. The main bilateral EU-Switzerland agreements relating to trade (the "EU-Switzerland Trade Agreements") are:
 - a. Agreement in the form of an Exchange of Letters of 21 July 1972 between the Swiss Confederation and the European Community concerning certain agricultural and fishery products, as subsequently adapted by the further Agreements of 5 February 1981, 14 July 1986 and 18 January 1996 (**"the Fisheries and Agriculture Exchanges of Letters"**);

- b. Agreement between the European Economic Community and the Swiss Confederation, done at Brussels on 22 July 1972 (“**the Free Trade Agreement**”);
 - c. Agreement between the European Community and the Swiss Confederation on certain aspects of government procurement, done at Luxembourg on 21 June 1999 (“**the Procurement Agreement**”);
 - d. Agreement between the European Community and the Swiss Confederation on mutual recognition in relation to conformity assessment, done at Luxembourg on 21 June 1999 (“**the Mutual Recognition Agreement**”);
 - e. Agreement between the European Community and the Swiss Confederation on trade in agricultural products, done at Luxembourg on 21 June 1999 (“**the Agriculture Agreement**”);
 - f. Agreement in the form of an Exchange of Letters between the Community and each of the EFTA countries that grants tariff preferences under the GSP (Norway and Switzerland), providing that goods originating in Norway or Switzerland shall be treated on their arrival on the customs territory of the Community as goods with content of Community origin (reciprocal agreement), done at Brussels on 14 December 2000 (“**the GSP Exchange of Letters**”);
 - g. Cooperation Agreement between the European Community and its Member States and the Swiss Confederation to combat fraud and any other illegal activity to the detriment of their financial interests, done at Luxembourg on 26 October 2004 (“**the Anti-Fraud Agreement**”); and
 - h. Agreement between the European Community and the Swiss Confederation on the simplification of inspections and formalities in respect of the carriage of goods and on customs security measures, done at Brussels on 25 June 2009 (“**the Customs Security Agreement**”).
8. This report gives details of, and explains the reasons for, any significant differences between:
- a. the Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation, done at Berne on 11 February 2019 (the “UK-Switzerland Trade Agreement”); and
 - b. the EU-Switzerland Free Trade Agreement;
9. This report also addresses all the other EU-Switzerland Trade Agreements. These agreements are included to allow a clearer explanation of how the provisions of the UK-Switzerland Trade Agreement – with its ‘umbrella’

approach – continues the complex set of agreements that define the EU’s existing trade relationship with Switzerland. It gives details of, and explains the reasons for, any significant differences under each agreement in the Explanation of Changes section.

10. The UK-Switzerland versions of the EU-Switzerland Trade Agreements, once all the changes are taken into account, are referred to as the “Incorporated Agreements”.
11. The report first sets out the general drafting changes which are consistent across all the UK’s short form continuity trade agreements and which have no significant impact on the UK’s current trade relationship
12. The Mutual Recognition Agreement, the Agriculture Agreement, and the Customs Security Agreement contain provisions that are predicated on the recognition of legislative equivalence in certain areas between the EU and Switzerland or Switzerland having access to specific EU systems. Where this is the case, we have sought alternative arrangements to deliver continuity of effect in our bilateral relationship with Switzerland. In some instances, it has been possible to find solutions, in others not yet. We have therefore agreed with Switzerland that these are areas we will have to return to when the detail of our future relationship with the EU is clear. Where the current arrangements cannot be continued, the relevant provisions of these agreements have been disapplied, with the possibility of reinstatement or replacement should a future UK-EU relationship make this possible.
13. This report sets out in detail the specific provisions this applies to, any alternative arrangements that have been agreed, and an indication of the potential impact of these changes in the Explanation of Changes. However, as the UK is leaving the EU and the terms of our future relationship with the EU are not yet agreed, it is not feasible to determine at this stage the implications for our relationship with Switzerland.
14. To assist the reader, we have included some discussion of the economic impacts of other drafting changes as appropriate. This report focuses solely on the changes made to the relationship between the UK and Switzerland as a result of moving from the current arrangements to the UK-Switzerland Trade Agreement. Any impacts resulting from the UK’s exit from the EU or the nature of the Future Economic Partnership have been excluded from this report.

Legal approach

15. The UK and Switzerland agreed that the most appropriate and proportionate legal vehicle in these circumstances was a short form treaty which incorporated by reference relevant provisions of the underlying EU-Switzerland Trade Agreements being transitioned with relatively few necessary modifications. The approach is similar to that used in the Comprehensive and Progressive

Agreement for Trans-Pacific Partnership (the “CPTPP”), where Article 1 of the CPTPP incorporates by reference the provisions of the Trans-Pacific Partnership Agreement into and makes them part of, mutatis mutandis, the CPTPP. The advantages of this approach include:

- a. That it may more easily be adapted to accommodate different scenarios; such as the various possible outcomes of the UK's ongoing negotiations with the EU regarding the end state UK-EU relationship;
 - b. That the format itself will send a clear message to businesses, consumers and investors in both countries that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the UK-Switzerland Trade Agreement; and
 - c. It will provide a clear legal text, making rights and obligations unambiguous where they had by necessity changed.
16. The new agreement reproduces the effects of the existing EU-Switzerland Trade Agreements as closely as possible and will include the establishment of institutional arrangements between the UK and Switzerland based on existing structures (such as joint committees) that allow for the ongoing management and updating of agreements.
 17. Many of the general changes to the EU-Switzerland Trade Agreements (such as replacing "EU" with "UK") are applied on incorporation, mutatis mutandis, that is, with the technical changes necessary to apply the agreements as if they had been concluded between the UK and Switzerland. This has avoided the need to reproduce every page and has significantly reduced the volume of text that needs to be agreed.
 18. Where more substantive amendments have been required to ensure operability in a bilateral context, or where the UK and Switzerland jointly agreed that mutatis mutandis would not deliver adequate certainty over rights and obligations, amendments have been included in Annexes to the UK-Switzerland Trade Agreement.

Resources

19. This report is intended to provide a stand-alone aid to allow businesses, consumers and parliamentarians to understand the UK-Switzerland Trade Agreement, particularly the changes it will bring to the UK's trade relationship with Switzerland.
20. Should you wish to view the EU-Switzerland agreements, these can be found online on the EUR-Lex website at the following links. Where available, these are links to an original EU agreement or the latest EU consolidated version¹:

¹ The links are correct at time of printing, and are for reference purposes only

- a. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.1995.327.01.0029.01.ENG&toc=OJ:L:1995:327:TOC (the latest of the Fisheries and Agriculture Exchanges of Letters)
- b. [https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550574363201&uri=CELEX:01972A0722\(03\)-20180501](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550574363201&uri=CELEX:01972A0722(03)-20180501)
- c. [https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575795356&uri=CELEX:02002A0430\(06\)-20121022](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575795356&uri=CELEX:02002A0430(06)-20121022)
- d. [https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575046868&uri=CELEX:02002A0430\(05\)-20171222](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575046868&uri=CELEX:02002A0430(05)-20171222)
- e. [https://eur-lex.europa.eu/legal-content/AUTO/?uri=CELEX:02002A0430\(04\)-20170701&qid=1550575046868&rid=6](https://eur-lex.europa.eu/legal-content/AUTO/?uri=CELEX:02002A0430(04)-20170701&qid=1550575046868&rid=6)
- f. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2001.038.01.0025.01.ENG&toc=OJ:L:2001:038:TOC
- g. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2009.046.01.0006.01.ENG&toc=OJ:L:2009:046:TOC#ntr2-L_2009046EN.01000601-E0002
- h. [https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575922127&uri=CELEX:02009A0731\(01\)-20130607](https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1550575922127&uri=CELEX:02009A0731(01)-20130607)

21. Should you wish to view the full text of the new UK-Switzerland Trade Agreement, it will be laid in Parliament alongside an Explanatory Memorandum before ratification, in accordance with the Constitutional Reform and Governance Act 2010. The text will be available online on GOV.UK.

Economic Background

Trade between the UK and Switzerland

22. Switzerland is the UK's 10th largest trading partner,² accounting for 2.5% of total UK trade. Total trade in goods and services between the UK and Switzerland was £32.1 billion in 2017.³
23. In 2017, UK exports to Switzerland were £20.2 billion, making it the UK's 7th largest export market (accounting for 3.3% of all UK exports). UK imports from Switzerland were £11.9 billion, making it the UK's 13th largest import source (accounting for 1.9% of all UK imports).
24. There is no comprehensive agreement in place on trade in services between Switzerland and the EU and therefore the UK-Switzerland Trade Agreement does not contain provisions relating to trade in services. Total trade in goods with Switzerland was £15.4 billion in 2017 (48% of total trade), where UK goods exports were £7.5 billion and goods imports from Switzerland were £7.9 billion.

Table 1: Trade between the UK and Switzerland, 2017 (£, billion)

	Trade in goods	Trade in services	Total trade
UK exports to Switzerland	7.5	12.7	20.2
UK imports from Switzerland	7.9	4.0	11.9
Total trade	15.4	16.7	32.1

Source: [ONS, \(2018\). UK trade: August 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#).

25. Using data from HMRC for trade in goods only, Table 2 shows the top goods exported to Switzerland were concentrated in precious stones and metals (£10,678 million) representing over two thirds of the total value of goods exported to Switzerland. The UK's top goods imported from Switzerland were largely in precious stones and metals (£4,153 million) and pharmaceutical products (£3,257 million), representing over two-thirds of the total value of goods imported from Switzerland.

Table 2: Top 5 UK goods exports to & imports from Switzerland, 2017 (at HS⁴, £ million)

Top 5 UK goods exports to Switzerland	Value	Top 5 UK goods imports from Switzerland	Value
Precious stones and metals	10,678	Precious stones and metals	4,153
Works of art, collector's pieces and antiques	1,134	Pharmaceutical products	3,257
Pharmaceutical products	500	Clocks and watches and parts thereof	750
Machinery and mechanical appliances	483	Machinery and mechanical appliances	623

² EU members are treated as individual trading partners with the UK.

³ [ONS, \(2018\). UK trade: August 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#).

⁴ The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

Vehicles other than railway or tramway stock	463	Works of art, collector's pieces and antiques	609
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Source: [HMRC trade statistics by commodity code](#) (accessed 5th November 2018). Sectors classified according to Harmonised System Sections. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

26. Table 3 shows that in 2017 other business services (comprised of sectors including legal, accounting, management consulting, and others) was both the largest UK service exported to and imported from Switzerland, valued at £6,453 million and £1,074 million respectively in 2017. Financial services followed as the second largest export and travel services as the second largest import.

Table 3: Top 5 UK services exports to & imports from Switzerland, 2017 (£ million)

Top 5 UK services exports to Switzerland	Value	Top 5 UK services imports from Switzerland	Value
Other business services	6,453	Other business services	1,074
Financial	1,952	Travel	777
Travel	1,194	Telecommunications, computer and information services	573
Intellectual Property	856	Financial	472
Telecommunications, computer and information services	743	Intellectual Property	403

Source: [ONS, \(2018\). Pink Book 2018](#); [ONS, \(2018\). UK trade in services by partner country experimental data: April to June 2018](#).

Note: Data for 'manufacturing', 'maintenance and repair', and 'insurance & pension' (import) sectors have been omitted by the ONS as the data might be disclosive, but the values are included in the overall totals. Services data is always reported on a 'change of ownership' (Balance of Payments) basis. The goods and services trade figures in the tables above are not directly comparable. The ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

UK businesses exporting to and importing from Switzerland

27. In 2017, HMRC estimated that 15,200 VAT registered UK businesses exported goods to, and 7,700 imported goods from, Switzerland.⁵ The majority of these businesses operate in the 'services' sector – 9,600 of these services businesses exported goods and 5,000 imported goods.⁶ As these figures only include businesses trading in goods they are likely to underestimate the number

⁵ HMRC, (2018). [Trade in Goods by Business Characteristics 2017](#).

⁶ This data does not include services traded. Instead it refers to those businesses in the services industry that trade in goods.

of businesses trading with Switzerland. Around 65% of these businesses were micro and small businesses, around 20% medium sized and 10% large.⁷

28. For context, provisional survey data from the ONS⁸ shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2017 with another country. This was just under 15% of all VAT/PAYE registered businesses. There were around 203,900 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 194,600 (non-financial) registered businesses trading in services in 2017. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

Economic impact of the existing trading relationship

29. The EU-Switzerland Free Trade Agreement was signed between the European Economic Community and the Swiss Confederation in 1972. As well as the Free Trade Agreement, the current economic relationship is maintained by a number of bilateral agreements. These agreements reduce tariffs and non-tariff measures in a number of areas of EU-Switzerland trade, including providing for a free trade area, customs facilitation, and reducing technical barriers to trade (TBT).⁹
30. A 2001 report simulated a first set of bilateral agreements between the EU and Switzerland finding that Switzerland's GDP would increase by 2% compared to the status quo.¹⁰ Additionally, the authors find that Swiss imports from the EU would increase by 2.2%.
31. A 2016 study assessed sectoral agreements between the EU and Switzerland on their impact on the agriculture sector.¹¹ Looking at 2010 trade, the report estimated that €532 million (9%) of EU agri-food exports to Switzerland could be attributed to these agreements, and €1,170 million (34%) of equivalent EU imports. This report also estimated 10,000 EU jobs were supported by this additional trade.
32. A 2018 European Commission report looking at implementation of EU trade agreements included information on the EU-Switzerland Free Trade

⁷ In this analysis micro and small businesses are defined as having 0-49 employees, medium 50-249, and large over 250. Figures are rounded to the nearest 5%, therefore any remaining businesses are in the 'unknown' category for business size.

⁸ ONS, (2018). [Annual Business Survey: Non-financial business economy, exporters and importers in Great Britain 2017](#).

⁹ See Federal Department of Foreign Affairs (FDFA), Directorate for European Affairs, [for summary of EU-Switzerland agreements](#).

¹⁰ Grether JM and Müller T. (2011). 'Decomposing the Economic Costs and Benefits of Accession to the EU: the Swiss Case'. *Journal of Economic Integration*, 16(2), pp. 203-228.

¹¹ Copenhagen Economics. (2016). [Impacts of EU trade agreements on the agriculture](#). European Commission, pp. 1-183.

Agreement.¹² It highlights data which shows that between 2007 and 2017 EU goods imports from Switzerland increased by 43% and EU goods exports to Switzerland increase by 61%.

33. More generally, the EU-Switzerland trading arrangements consist of a broad and deep set of agreements. Tackling more 'non-tariff barriers', deeper agreements see greater increases in trade flows than shallow agreements.

Potential loss to the UK if the proposed Trade Agreement is not brought into effect

34. Not being able to bring the UK-Switzerland Trade Agreement into effect would result in UK businesses losing the preferences negotiated in the EU-Switzerland Trade Agreements. This would include the re-imposition of many tariffs as the UK and Switzerland return to WTO Most Favoured Nation¹³ (MFN) treatment with each other. The benefits derived from trading under preferences within the EU-Switzerland Trade Agreements, such as increases in trade flows, may then be reversed.
35. It is unlikely that the entire effect of the EU-Switzerland Trade Agreements would disappear. Tariffs would automatically revert to MFN rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long-run. For example, the UK will continue to benefit from close regulatory arrangements agreed between Switzerland and the EU. Business connections formed because of the trade relationship might endure.
36. The size of the impact of not ratifying the proposed UK-Switzerland Trade Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the EU-Switzerland Trade Agreements.¹⁴

Immediate impact if not brought into effect

Tariffs

37. Much international goods trade takes place in products for which MFN rates are already zero. However, trade agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Switzerland

¹² European Commission. (2018). '[Individual reports and info sheets on Implementation of EU Free Trade Agreements](#)'. *European Commission*, pp. 1-267.

¹³ 'Most Favoured Nation' treatment is applied to all World Trade Organisation (WTO) members, which states that members should accord similar treatment for all other members. Preferential Trade Agreements are allowed as an exception to this provision, under Article VI of WTO law, if they cover 'substantially all trade'.

¹⁴ Head K and Mayer T. (2014). '[Gravity Equations - Workhorse, toolkit and cookbook](#)'. *Handbook of International Economics*, 4, pp. 131-195.

Dhingra S, et al. (2018). '[Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?](#)'. *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

Trade Agreement is not approved and ratified, tariffs between the two countries would automatically revert to MFN rates for all trade. This would lead to an increase in duties on some UK exports to and imports from Switzerland.

38. To estimate the potential impact of losing tariff preferences, assumptions have to be made. If current patterns of trade remained unchanged in future, and without taking into account the effect of any unilateral preferences, reverting to the UK and Switzerland's current MFN tariff rates would result in an annual increase in total duties of around £125 million. This would predominantly be duties on imports from Switzerland at almost £83 million, with duties on UK exports increasing by over £42 million.¹⁵ This is relatively small compared to the value of total trade with Switzerland of £32 billion in 2017.
39. However, these estimates assume that all tariff preferences offered under the EU-Switzerland Trade Agreements are fully utilised by exporters. This is unlikely to be true. For example, in 2016, the evidence suggests that 55% of the UK's eligible goods exports to Switzerland (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-Switzerland Trade Agreements) actually utilised the tariff preferences.¹⁶ In 2016, DIT estimates suggest that 84% of the UK's eligible goods imports from Switzerland were imported utilising the preferences under the EU-Switzerland Trade Agreements.¹⁷ This means that the actual increase in duties could be substantially lower than the estimates above.
40. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
41. The largest implied increases in estimated UK import duties will be in precious stones and metals (HS71) at almost £15 million, which is also the highest value good imported from Switzerland. Some of the other top UK imported goods from Switzerland will be subject to the largest increases in duties, notably machinery

¹⁵ DIT's own calculations using tariff data from [ITC Market Access Map \(MacMap\)](#) and [HMRC trade statistics](#) (accessed 24th October 2018). Implied additional duties are calculated using the difference in MFN and preferential tariff rates and the current value of trade for each product at HS2 level, 2017. MFN tariff rates for imports into the UK are trade-weighted average rates using a reference group of countries by ITC Market Access Map, rather than bilateral trade data. This is to overcome endogeneity bias which may show low average tariff rates where there are low bilateral trade values. These results assume all trade occurs under preferential FTA tariff rates. Different approaches to this analysis are likely to yield different results. The estimate of implied additional duties may be lower than which would be generated if trade and tariff data at a more disaggregated level (CN8 level) were used, as we might expect that tariffs would be higher in the tariff lines where imports are higher.

¹⁶ Nilsson L and Preillon N. (2018). ['EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country'](#). *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal trade agreements in place.

¹⁷ DIT's own calculations using data from [Eurostat](#) (accessed 19th November 2018). Note that using a single year does not account for fluctuating trends in bilateral trade flows, which can be significant. In general, data on the preference utilisation of trade deals is not readily accessible and should be treated with caution. They indicate whether businesses trading in goods are benefitting from negotiated preferences, but do not tell us which or how many businesses are using these preferences. Nor do they cover services trade.

and mechanical appliances (HS84) at nearly £8 million, and clocks and watches and parts thereof (HS91) at just over £7 million. On the exports side, the largest implied increases in duties will be for vehicles (HS87) at around £8 million, aluminium and articles thereof (HS76) at over £4 million and precious stones and metals (HS71) at around £4 million.

42. Indicative estimates of implied additional tariff duties are provided above to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Swiss government. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

Businesses

43. Additional duties could be absorbed by either UK or Swiss businesses passed on to consumers, or existing trade patterns could be interrupted. This could impact competitiveness of UK businesses, leading to disruptions in supply chains and job losses in the short term.
44. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Swiss inputs to export goods to the rest of the world. In 2015 (latest data), around 15.1% of the value added in UK's gross exports reflected imports from abroad, including 0.3% from Switzerland.¹⁸ UK companies which rely on Swiss imports would become less competitive.

Consumers

45. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. Consumers may also indirectly be affected if tariff costs on intermediate goods used for production are passed on to final consumer goods. Examples of intermediate goods with high tariff costs that could affect consumers indirectly are machinery, chemicals and metals. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in choice of products and services available.

Longer-term impact

46. In the long run, the UK would forgo the longer-term benefits that this relationship would have brought to UK. This could result in a marginal impact on long-term UK GDP if the UK-Switzerland Trade Agreement is not ratified.

¹⁸ OECD, 2018. [Trade in Value Added database: Origin of Value Added in Gross Exports 2018](#). Experimental statistics.

Overview of the relevant EU-Switzerland Trade Agreements

47. The EU-Switzerland Trade Agreements listed below have been incorporated into, and as far as possible will be transitioned through, the UK-Switzerland Trade Agreement:

- a. **Agreement in the form of an Exchange of Letters of 21 July 1972 between the Swiss Confederation and the European Community concerning certain agricultural and fishery products as subsequently adapted by further Agreements of 5 February 1981, 14 July 1986 and 18 January 1996. (“the Fisheries and Agriculture Exchanges of Letters”);**

This agreement commenced a process of trade liberalisation between the parties by making reciprocal concessions on agricultural and fishery products. These were then extended to the enlarged Community.

- b. **Agreement between the European Economic Community and the Swiss Confederation done at Brussels on 22 July 1972. (“the Free Trade Agreement”);**

This agreement progressively eliminated the obstacles to trade in goods between the parties, creating a free trade zone for industrial products, free of customs and quotas. It progressively liberalised tariffs (mostly to 0%) systematically across most goods sectors. Those remaining are predominantly in sectors that do not have high levels of UK exports. The agreement also provides fair conditions of competition for trade between the contracting parties by the removal of barriers to trade. The agreement includes the Additional Protocol on Mutual Administrative Assistance.

- c. **Agreement between the European Community and the Swiss Confederation on trade in agricultural products done at Luxembourg on 21 June 1999. (“the Agriculture Agreement”);**

This agreement improves mutual market access through the reduction of tariffs on selected agricultural products and through trade facilitation. The agreement also simplifies trade in the agricultural sector by reducing non-tariff barriers to trade.

- d. **Agreement between the European Community and the Swiss Confederation on mutual recognition in relation to conformity assessment done at Luxembourg on 21 June 1999. (“the Mutual Recognition Agreement”);**

This agreement reduces technical barriers to trade on industrial goods and provides for mutual acceptance of reports, certificates, authorisations and conformity marks issued by recognised conformity assessment bodies. The

agreement enables the avoidance of duplication of procedures when Swiss and EU requirements are deemed equivalent.

- e. **Agreement between the European Community and the Swiss Confederation on certain aspects of government procurement done at Luxembourg on 21 June 1999. (“the Procurement Agreement”);**

This agreement liberalises the respective public procurement markets by broadening the scope of market access offered under the World Trade Organisation’s (WTO) 1994 Government Procurement Agreement (GPA) and also provides EU economic operators with market access additional to markets covered under the GPA. The agreement provides additional market access to sub-central districts and municipalities, as well as procurement by telecommunications operators, railway operators, entities active in the field of energy (excluding electricity), and private utility providers.

- f. **Cooperation Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other part, to combat fraud and any other illegal activity to the detriment of their financial interests done at Luxembourg on 26 October 2004. (“the Anti-Fraud Agreement”);**

This main purpose of this agreement is to extend administrative and judicial assistance in criminal matters between the parties in order to combat the illegal activities detrimental to the parties' financial interests. Through the agreement, both sides undertake to grant each other full judicial cooperation and administrative assistance on fraud and all other illegal activities, including customs and indirect tax offences in connection with the trade of goods and services. The agreement also provides for improvements in cooperation against money laundering, covering in particular serious cases of fraud and smuggling.

- g. **Agreement between the European Community and the Swiss Confederation on the simplification of inspections and formalities in respect of the carriage of goods and on customs security measures done at Brussels on 25 June 2009. (“the Customs Security Agreement”);**

This agreement covers inspections and formalities concerning the carriage of goods which cross a frontier between Switzerland and the EU. The agreement also applies to customs security measures in relation to the carriage of goods to or from third countries. This agreement shall not apply unless otherwise decided by the relevant Joint Committee.

- h. **Agreement in the form of an Exchange of Letters between the Community and each of the EFTA Countries that grants tariff preferences under the GSP (Norway and Switzerland), providing the goods originating or Norway or Switzerland shall be treated on their arrival on the customs territory of the Community as goods with**

content of Community origin (reciprocal agreement), done at Brussels 29 January 2001. (“the GSP Exchange of Letters”).

This agreement ensures that the European Community, Switzerland and Norway’s customs authorities are able to issue replacement form A certificates of origin. This facilitates the movement of goods originating in developing countries which benefit from the generalised preferences granted by the Community, Switzerland and Norway.

In practice, the EU grants preferences to goods originating in beneficiary countries where some of the components originate in Switzerland and/or Norway and those two countries will treat goods containing Community components in the same way. Under this agreement in the form of exchange of letters the Community, Switzerland and Norway mutually recognise their components as originating in the developing countries concerned under the bilateral cumulation of origin rules.

Explanation of the Umbrella Instrument

48. This section gives an overview of the Umbrella Instrument in the UK-Switzerland Trade Agreement. It is subject to the more specific information in the section headed “Explanation of Changes to the EU-Switzerland Trade Agreements” below.

Incorporation of the EU-Switzerland Trade Agreements

49. The Umbrella Instrument incorporates, mutatis mutandis, the EU-Switzerland Trade Agreements into the UK-Switzerland Trade Agreement, applying them as if they had been concluded between the UK and Switzerland. It then disapplies specified provisions in the Incorporated Agriculture Agreement and the Incorporated Mutual Recognition Agreement, as well as the Incorporated Customs Security Agreement. These are both done in Article 1. The reasons for, and impact of, this disapplication is explained in further detail in the section headed “Explanation of Changes to the EU-Switzerland Trade Agreements” below.

Objective

50. Article 3 of the Umbrella Instrument states that the overriding objective of the UK-Switzerland Trade Agreement is to preserve the existing trading relationship between the parties under the EU-Switzerland Trade Agreements and to provide a platform for further trade liberalisation and development of the trade relations between them.

Territorial application

51. Territorial application provisions in a treaty set out the territories to which the treaty applies and how it applies to them. In the existing EU-Switzerland Trade Agreements, the Territorial Application article defines the territorial application of the Agreement, for the EU, by reference to the EU Treaties. In the UK-Switzerland Trade Agreement, this has been replaced by Article 4 of the Umbrella Instrument, which ensures that the agreement applies to the UK and the territories for whose international relations it is responsible to the same extent and under the same conditions as the existing EU-Switzerland Trade Agreements apply.

Continuation of time periods

52. Some commitments in EU trade agreements progress over a period of time or only have effect for a specified period, rather than taking effect in full for the duration of the agreement.

53. To provide continuity in this respect, Article 5 of the Umbrella Instrument provides that where parts of the Incorporated Agreements contain such a transitional period, requiring a party to complete an action within a certain timeframe, and which have not yet been fulfilled under the conditions of the original EU Agreement, the remaining time in which the obligation must be fulfilled is incorporated into the UK-Switzerland Trade Agreement.
54. It also provides that in instances where a period has expired, any resulting rights and ongoing obligations shall continue to apply between the UK and Switzerland.

Joint Committees

55. Joint Committees and other institutions provided for in the original EU-Switzerland Trade Agreements have been replicated bilaterally between the UK and Switzerland as often as possible.
56. Article 6 of the Umbrella Instrument tasks the Joint Committee under the incorporated EU-Switzerland Free Trade Agreement with ensuring that the Umbrella Instrument operates properly.

Amendment

57. Whilst under treaty law the parties to a treaty are able to amend its content after entry into force, amendment clauses make this more transparent and may also set out an additional process to make changes through the Joint Committee. Amendments may for example be made to ensure trade agreements remain up to date in light of changes to domestic regulation or to be responsive to other implementation issues.
58. Article 7 of the Umbrella Instrument provides that amendments to the Umbrella Instrument may be made by further agreement between the UK and Switzerland. Article 7 is required to provide a procedure for amendment to the Umbrella Instrument, as the Umbrella Instrument is a new legal instrument and no such provision would otherwise be made.
59. Article 7 also ensures continuity in the ability of the relevant Joint Committees to amend Annexes, Appendices, Protocols and Notes to the underlying Incorporated Agreements, subject to procedures provided for in the relevant agreement itself. The provision for the Joint Committees to amend parts of the agreement is included to provide consistency across all of the incorporated EU-Switzerland Trade Agreements.
60. Any agreement to amend which is subject to ratification will be laid before Parliament under the Constitutional Reform and Governance Act 2010 in the normal way.

Review

61. Article 8 of the Umbrella Instrument provides for the UK and Switzerland to review the UK-Switzerland Trade Agreement. This provision sets out the UK and Switzerland's joint aim of maintaining and developing our close trade and economic relations. It also commits both parties to conduct, within 24 months from entry into force of the UK-Switzerland Trade Agreement, initial exploratory discussions with the aim of replacing, modernising or developing the agreement.

Entry into force, provisional application and termination

62. Entry into force provisions specify the date from which an agreement becomes legally binding on the parties to it. Existing entry into force provisions have been replaced with new drafting (Article 9) to reflect the unique circumstances of transitioning these agreements as the UK leaves the EU, to ensure we can bring the new UK-Switzerland Trade Agreement into force without a gap when the EU-Switzerland Trade Agreements no longer apply to the UK.
63. Provisional application is a mechanism which allows an agreement to come into effect prior to its ratification¹⁹, if this becomes necessary. This reduces the risk of parties losing access to the benefits of the agreement in a period before both parties have ratified or before the agreement enters into force. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State. For example, the EU-Chile Agreement.
64. The UK and Switzerland have agreed to provisionally apply this agreement, in accordance with their respective internal requirements and procedures, if ratification cannot be completed by both parties by the time the EU-Switzerland Trade Agreements treaties cease to apply to the UK, either at the end of the Implementation Period or, if no withdrawal agreement is reached between the UK and the EU, on 29 March 2019. Given that we are seeking to maintain effects of the existing agreement with Switzerland as we leave the EU, this is a proportionate approach to manage the timing constraints of both parties during this unique period and reduces the risk of businesses and consumers experiencing disruption as the UK leaves the EU.
65. In Article 9, we also exempt the provisions of the EU-Switzerland Trade Agreements on the authentication of texts, duration, denunciation. These

¹⁹ In the case of a continuity trade agreement, generally the means by which the UK and a partner country will indicate its final consent to be bound by the treaty prior to entry into force is ratification. Before an agreement subject to ratification may be ratified by the Foreign Secretary, it must be laid before Parliament for scrutiny, under the Constitutional Reform and Governance Act 2010. If the negotiating states have agreed terms in the treaty for provisional application, the agreement may be operated provisionally until the treaty enters into force after completion of the Parliamentary scrutiny procedure and ratification by the Foreign Secretary.

provisions were procedural and specific to the EU-Switzerland Trade Agreements and have been replaced by equivalent provision in the UK-Switzerland Trade Agreement.

66. In particular, three of the EU-Switzerland Trade Agreements were negotiated in a package and were linked to one another through a “guillotine clause”. These agreements are the Mutual Recognition Agreement, the Procurement Agreement and the Agriculture Agreement²⁰. This clause was included in each of the agreements in the package, signed together in 1999, and stated that if any of the agreements are terminated, all the others also cease to be in force after six months.
67. We have removed the guillotine clause. Removing the clause means that in the event of the UK and / or Switzerland choosing to terminate a specific incorporated agreement within the Umbrella Instrument, the other agreements continue to function.

²⁰ Other EU-Switzerland agreements that are not in this trade package are also covered by the guillotine clause

Explanation of this Agreement, including Significant Differences between the UK-Switzerland Trade Agreement and the EU-Switzerland Trade Agreements

68. Beyond the explanation of the Umbrella Instrument above, this section provides a discussion of each of the EU-Switzerland Trade Agreements incorporated into the UK-Switzerland Trade Agreement.

The Incorporated Fisheries and Agriculture Exchanges of Letters

69. All necessary changes to this agreement have been made by Article 1 of the Umbrella Instrument.

The Incorporated Free Trade Agreement

70. All necessary changes to the main text of this agreement have been made by Article 1 of the Umbrella Instrument. Specific changes, as expressed in Annex 1 of the UK-Switzerland Trade Agreement, were made to some of the annexes and protocols.

Processed Agricultural Products (Protocol 2)

71. Protocol 2 of the Incorporated EU-Switzerland Free Trade Agreement includes a Price Compensation Mechanism which allows parties to apply duties on certain processed agricultural products that compensate for different price levels of certain raw materials included in the processed products. This mechanism is normally only used by Switzerland to compensate for the lower price level of raw materials in the EU. This Price Compensation Mechanism has been adapted in order to make the mechanism operable in a UK-Switzerland bilateral context. The agreed mechanism ensures that Switzerland, when using this mechanism, would not impose higher duties on UK products than it imposes on imports from the EU. Similarly, in the event the mechanism was used by the UK, the UK would not impose higher duties on imports from Switzerland than those imposed by the EU on imports from Switzerland. This is a technical change that provides for continuity of effect.

Rules of Origin (Protocol 3)

72. Protocol 3 of the EU-Switzerland Free Trade Agreement addresses rules of origin. In the incorporated version of that Agreement, this Protocol has been replaced with the text in the Appendix to Annex 1.
73. In trade agreements, rules of origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must

“originate” in one of the parties to the agreement. Trade agreements may also allow materials originating and/or processed in a country other than the exporting Party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

74. There are two categories relevant to determining whether goods “originate” in the exporting country for the purposes of a trade agreement:
- a. Wholly obtained – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
 - b. Substantial transformation – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
 - i. Value added – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
 - ii. Change in Tariff Classification (CTC) – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
 - iii. Specific processing or manufacturing – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.
75. As a member of the EU, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials and inputs from the UK and the rest of the EU can be used interchangeably in the UK’s bilateral trade with existing EU trade agreement partners.²¹ This will no longer be the case when existing EU trade agreements stop applying to the UK. At this point, the designation of UK exports will shift from “EU” originating, to “UK” originating and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and Switzerland.
76. To address these implications and to provide maximum continuity for business, it has been agreed in the UK-Switzerland Trade Agreement that EU materials can be recognised (i.e. cumulated) in The UK’s and Switzerland’s exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to Switzerland. The cumulation arrangements are set out in detail in Title II (Definition of the concept of ‘originating products’) of the Rules of Origin Protocol and are subject to satisfying certain conditions specified in the agreement.

²¹ UK and Swiss content will also continue to count as originating in trade between each other.

77. Unless and until a preferential trade agreement between the UK and the EU is applicable, the aforementioned cumulation arrangements will continue for an interim period of 3 years from the point of the UK's exit from the EU. Not later than six months before the end of this interim period, the UK and Switzerland shall consult as to whether the period should be extended or whether the relevant provisions require modification. Should modification be required, the parties shall aim to put in place RoOs arrangements that are no less beneficial in respect of trade between them. This is reflected and further detailed in Articles 3 and 4 of Protocol 3 as set out in the Appendix to Annex 1 of the Agreement.
78. The EU and Switzerland are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (PEM Convention) and apply the PEM Convention between them. The PEM Convention is a multilateral agreement that harmonises preferential rules of origin across the Euro-Med area and provides for cumulation between contracting parties to that Convention. The UK's future relationship with the PEM Convention will, in part, depend on UK-EU arrangements, so the UK-Switzerland Trade Agreement reflects the provisions of the PEM Convention in a bilateral context with modifications.
79. The text of the Rules of Origin Protocol can be found in the Appendix to Annex 1 of the UK-Switzerland Trade Agreement.

Impact

80. If cumulation of EU content for the UK and Switzerland were not permitted under the UK-Switzerland Trade Agreement, some UK and Switzerland based exporters might find themselves unable to access preferences as they are currently able to. UK exporters to Switzerland who rely on EU content might have to revert to paying MFN tariff rates, if they continued using EU inputs, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would vary across sectors.
81. The UK-Switzerland Trade Agreement provides only for trade between the UK and Switzerland and does not provide for either Party's direct trade with the EU, including, for example, where UK and Switzerland based exporters use content from each other in exports to the EU.

The Incorporated Procurement Agreement

82. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments.

83. The commitments on public procurement that relate to the UK and Switzerland have been retained in the UK-Switzerland Trade Agreement.
84. Beyond the application, *mutatis mutandis*, by Article 1 of the Umbrella Instrument, amendments have been made to the EU-Switzerland Procurement Agreement, as expressed in Annex 2 of the UK-Switzerland Trade Agreement, including in order to ensure continuity of rights and obligations currently enjoyed under the WTO Government Procurement Agreement (GPA).
85. The UK is presently party to the EU's membership of the GPA. The UK is in the process of acceding to become an independent member of the GPA after we exit the EU. In the event of a gap in continuity of the UK's GPA membership there is a risk that a subset of the market access commitments in this agreement would become inoperable as they are related to the GPA. The original commitments in the agreement were made between GPA members in relation to GPA market access and therefore operated in the wider context of the GPA.
86. As such, to replicate the current legal effect and intention of these original commitments it was necessary to maintain continuity of all GPA rights and obligations between Switzerland and the UK. This agreement therefore incorporates, in a bilateral agreement between Switzerland and the UK, all of the existing obligations which the parties owe to each other by virtue of the UK's membership of the GPA (through the EU). This approach has enabled the UK and Switzerland to maintain continuity for all aspects of procurement market access contained in the Procurement Agreement. In the EU-Switzerland Procurement Agreement, the preamble paragraphs 1 and 4, article 1, article 2, article 3.2(f), article 7.3, article 12.2, and Annex VI are linked to the GPA.
87. We have also updated the non-discrimination commitment in Article 6 of the Incorporated Procurement Agreement. The reference to community integration in this commitment was unique and could not be covered by the *mutatis mutandis* approach. The amendment replaces the reference to the European Community and the Swiss Confederation with "both parties" to ensure replication of an equitable standard for non-discrimination. This update is a necessary technical change to ensure that the commitment can apply bilaterally between the UK and Switzerland and has the same effect.
88. We have also updated the Joint Declaration on monitoring. The references to European Communities and Member States in this Joint Declaration were unable to be addressed through the *mutatis mutandis* approach and required a further technical change to ensure that the Declaration can apply bilaterally between the UK and Switzerland with the same legal effect and intention. This is done in paragraph 4 of Annex 2.
89. Obsolete provisions which were not addressed through the *mutatis mutandis* approach, were removed as outlined in Annex 2 of the UK-Switzerland Trade Agreement. There is no material impact on the legal effect and intentions of trade relations between UK and Switzerland from these changes.

The Incorporated Mutual Recognition Agreement (MRA)

90. Agreements on the mutual recognition of conformity assessment (MRAs) define the conditions which enable one party to accept conformity assessment results (e.g. testing, inspection or certification) performed by the other party's designated bodies and vice versa. The EU-Switzerland MRA is an 'enhanced MRA' meaning that the Swiss and EU rules (covered by the agreement) are deemed equivalent to each other. This means that businesses only need to test a product against one set of regulatory requirements in order for it be accepted in both markets. This reduces the costs for businesses in meeting regulatory requirements.
91. The EU-Switzerland MRA covers 20 sectors, including good manufacturing practice (GMP) for pharmaceuticals, automotive, machinery and toys.
92. Based on recent five year averages, some £2.2bn²² of UK goods exports are under the scope of the EU-Switzerland MRA; this represents 9.2% of UK goods exports to Switzerland. £4.2bn of total UK imports from Switzerland are covered by the MRA, which is 34.9% of total UK goods imports from Switzerland. For more detailed trade flow data for goods traded between the UK and Switzerland under the scope of the EU-Switzerland MRA, including a product chapter-by-chapter breakdown, please see Annex A of this report.
93. Article 1 of the Umbrella Instrument makes necessary changes to the Incorporated MRA mutatis mutandis and disapplies Chapters 1 to 11, 13 and 16 to 20 of Annex 1 of the Incorporated MRA. Additional changes to the Incorporated MRA beyond those covered by Article 1 of the Umbrella Instrument are expressed in Annex 3 to the UK-Switzerland Trade Agreement.

Maintained Chapters in Annex 1 to the Incorporated MRA

94. In order to replicate the effects of this agreement and ensure continuity to the extent possible, we have agreed to transition three product chapters of the Incorporated MRA. The chapters covered are: Motor Vehicles (Chapter 12); Good Laboratory Practice (GLP) (Chapter 14); and Medicinal products, Good Manufacturing Practice (GMP) inspection and batch inspection (Chapter 15).
95. Together these cover over three-quarters of the exports in scope of the MRA (76.2%), roughly amounting to £1.7bn of UK exports. These three chapters also cover 84% of the imports in scope of the MRA, and roughly amount to just under £3.5 bn.

²² MRA figures are not directly comparable to figures in the Economic Background section due to different data sources. MRA estimates are based on ongoing internal DIT analysis of bilateral goods trade covered by specific directives in the MRA, using HMRC Overseas Trade Statistics. 5-year average trade flows (2013-2017).

Disapplied Chapters in Annex 1 to the Incorporated MRA

96. On the other 17 product chapters, it has not been possible at this stage to agree that equivalence arrangements continue with Switzerland due to interdependencies with EU laws and systems.
97. These chapters cover: 1. Machinery; 2. Personal Protective Equipment; 3. Toys; 4. Medical Devices; 5. Gas Appliances and Boilers; 6. Pressure Vessels; 7. Radio equipment and telecommunications terminal equipment; 8. Equipment and protective systems intended for use in potentially explosive atmospheres; 9. Electrical equipment and electromagnetic compatibility; 10. Construction plant and equipment; 11. Measuring instruments and pre-packages; 13. Agricultural or forestry tractors; 16. Construction products; 17. Lifts; 18. Biocidal products; 19. Cableway installations; 20. Explosives for civil use. These chapters cover £520m of UK goods exports to Switzerland.
98. In light of this, we have agreed with Switzerland – via a Memorandum of Understanding - to work together, alongside relevant regulatory bodies, to agree arrangements that will allow for the recognition of conformity assessment bodies in the areas covered by these product chapters. The relevant joint committee will have the power to bring this decision into effect, as and when both parties agree that it is possible to do so. In terms of the practical impact for business, if these discussions are successful, this would deliver an outcome that is close to continuity of effect. In the absence of any further agreement on the remaining chapters of the MRA, UK businesses will need to get their products tested against a Swiss recognised conformity assessment body (either in Switzerland or the EU) where third party testing is required.
99. For further details, please refer to the section titled "Memorandum of Understanding" at the end of this report.

Information Exchange

100. As reflected in new Article 12 in paragraph 2 of Annex 3 to the UK-Switzerland Trade Agreement, the provision on information exchange has been updated. The provision on information exchange in the EU-Switzerland MRA sets in place an information sharing mechanism which creates an obligation both parties to notify the other when it's legislation under scope of the MRA changes. An alternative information sharing mechanisms between the UK and Switzerland has been set up through the Joint Committee.
101. As part of this mechanism, each Party shall inform the other Party when it expects that its legislative, regulatory and administrative provisions shall deviate from the corresponding provisions of the EU. In practice, each Party shall notify changes to its designating authorities and competent authorities to the other party in writing as soon as possible and no later than 60 days before the deviations take effect. Nothing in the MRA prevents either party from changing their domestic legislation.

102. The UK is currently in the process of creating equivalent databases in preparation for a no deal scenario, for example to replace the Eudra GMP database managed by the European Medicines Agency. Where appropriate, a provision has been added to allow for successor UK databases.

The Incorporated Agriculture Agreement

103. Article 1 of the Umbrella Instrument makes necessary changes to the Incorporated Agriculture Agreement through *mutatis mutandis* and the disapplication of Annexes 4 (Plant Health), 5 (Animal Feed), 6 (Seeds), 9 (Organics) and 11 (Animal Health and Trade in Animals and Animal Products). Additional changes to the Agriculture Agreement beyond those covered in the Umbrella Instrument are expressed in Annex 4 of the UK-Switzerland Trade Agreement.

Disapplied Annexes

104. For similar reasons to the MRA, specifically the current requirements for equivalence or harmonisation with EU laws and systems, it has not been possible to transition five annexes to the EU-Switzerland Agriculture Agreement. This includes Organics (Annex 9) and four annexes relating to Sanitary and Phytosanitary measures: Plant Health (Annex 4); Animal Feed (Annex 5); Seeds (Annex 6); and Animal Health and Trade in Animals and Animal Products (Annex 11). As the shape of the future UK-EU relationship evolves these annexes will be revisited, as set out in Article 1.3 of the Umbrella Instrument, to assess what may become possible. The remaining annexes that have been transitioned include: Tariff Rate Quotas (Annexes 1-2), Wine (Annex 7), Spirits (Annex 8), Marketing Regulations for Fruit and Vegetables (Annex 10) and Geographical Indications (Annex 12).
105. Until the future economic partnership with the EU is determined, the full impact of not transitioning the four annexes mentioned above on existing trade flows between the UK and Switzerland cannot be calculated. Existing trade data in Table 4, provides an understanding of the current volumes of trade between Switzerland and the UK impacted by the disapplication of these annexes. It must be noted that trade flows do not exactly map across to the four annexes due to data limitations, however approximations can be used. Using data from HMRC for trade in goods for the period 2015 to 2017, Table 4 shows that UK-Switzerland trade for goods in plant health, animal feed, seeds and animal health accounted for 0.4% of all trade in goods with Switzerland. Additionally, trade with Switzerland in these goods accounted for 0.3% of all UK trade in plant health, animal feed, seeds and animal health goods. Data in organics has been omitted from the below table as Government does not hold data on volume or value or organic goods, as HS codes do not distinguish between organic and non-organic products. For further information on volume and values of trade flows in relation to these annexes, please see Annex B of this report.

Table 4: UK-Switzerland trade for goods in plant health, animal feed, seeds and animal health, as share of UK-Switzerland goods trade

Annex	UK-CH Trade within Annex as Proportion of UK trade in all goods (01-99) with CH (Value)
4. Plant Health	0.0%
5. Animal Feed	0.0%
6. Seeds	0.0%
11. Animal Health	0.4%
All 4 Annexes	0.4%

Source: [HMRC trade statistics by commodity code](#) (accessed 29th November 2018). Sectors classified according to Harmonised System Sections. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

Organics

106. The provisions for organics in Annex 9 of the EU-Switzerland Agriculture Agreement enable certified organic products to be labelled and sold to consumers in the UK and Switzerland. It has not been possible for Switzerland to continue organic recognition to requirements of equivalence with EU laws. The UK and Switzerland will continue to work together to continue discussions in order to effect continuity.

Sanitary and Phytosanitary (SPS)

107. Sanitary and Phytosanitary (SPS) articles in trade agreements concern the application of food safety and animal and plant health regulations. SPS provisions in trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. SPS provisions in trade agreements can increase transparency in trading, allowing the recognition of different regulations as having equivalent outcomes and set out import requirements, including health certification.

108. Provisions relating to SPS are contained within the EU-Switzerland Agriculture Agreement in Annexes 4 (Plant Health), 5 (Animal Feed), 6 (Seeds) and 11 (Animal Health). As with organics, these annexes require equivalence or harmonisation arrangements and will be revisited through the Joint Committee, to assess how to continue effect. For the operations of this Joint Committee please see paragraph 55-56 of this report.

Tariff-rate Quotas (TRQs)

109. Annexes 1 and 2 to the Incorporated Agriculture Agreement address TRQs. These Annexes are replaced, respectively, by the text in the Appendices A and B.
110. Tariff-rate quotas (“TRQs”) allow a certain quota of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade agreements. In order for products to be able to continue to benefit from the use of TRQs in trade between the UK and its FTA partners, these quotas need to be present in the new UK agreements with those partners.
111. TRQs administered by the UK and by FTA partners have been re-sized to reflect the fact that the UK is a smaller importer and exporter than the EU-28. Solutions were agreed with partner countries to set quotas to a sufficient level that would allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both sides.
112. Tables 5 and 6 set out the new UK-Switzerland quotas applicable under the UK-Switzerland Trade Agreement. TRQs have been resized based a range of evidence including historical usage data and trade flow data. In order to address future market access opportunities for UK and Swiss businesses, it was also agreed to use a proxy indicator to set TRQs where data showed historic trade was low. This includes instances where the UK or Swiss usage of a TRQ was zero. Doing so allows future market access opportunities for UK and Swiss businesses using a fair and evidence-based methodology.

Impacts

113. Without transitioning these TRQs, and without any other mitigating actions, goods imported from Switzerland that are currently covered by TRQs in the existing EU-Switzerland Agriculture Agreements could face MFN tariffs. This could make these imports more expensive. For example, UK imports of “other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006” (HS code 20052080) could face an MFN rate of 14% rather than the in-quota rate of 0%. The nature of the impact will depend on several factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. UK imports from Switzerland, based on trade data (at HS6 level) covering these products²³ were worth £36,000 in total in 2017²⁴, equivalent to less than 0.1% of total UK goods imports from Switzerland.

²³ Trade data at HS6 level. Products covered by quotas taken from the EU’s [TARIC database](#).

²⁴ HM Revenue and Customs, UK trade statistics data. <https://www.uktradeinfo.com/Pages/Home.aspx>. 2017 average. It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

114. Trade in goods currently exported from the UK to Switzerland could also be adversely affected if the relevant TRQs are not transitioned. In the absence of any explicit action by the Swiss government, that trade would face MFN tariffs. As explored above for UK imports, the nature of the impact will similarly depend on a number of factors.

115. As usage of all the quotas in this agreement was zero, or very low, the overall, immediate, impact on UK producers and consumers resulting from this approach to resizing TRQs is expected to be limited.

Inward TRQs

Table 5: List of TRQs administered by the UK for imports from Switzerland and new quota volumes (tonnes)

Quota No ²⁵	Description	Annual quantity (tonnes net weight)
0102 90 41 0102 90 49 0102 90 51 0102 90 59 0102 90 61 0102 90 69 0102 90 71 0102 90 79	Live bovine animals of a live weight exceeding 160 kg	247 head
ex 0210 20 90	Meat of bovine animals, boneless, dried	64
ex 0401 30	Cream, of a fat content, by weight, exceeding 6 %	107
0403 10	Yogurt	

²⁵ Inward quotas, which are administered by the European Union, each have a unique order number. Further information about existing EU quotas can be found on the EU Customs and Taxation website. http://ec.europa.eu/taxation_customs/dds2/taric/quota_consultation.jsp?Lang=en.

Quota No ²⁵	Description	Annual quantity (tonnes net weight)
0402 29 11 ex 0404 90 83	Special milk, for infants, in hermetically sealed containers of a net content not exceeding 500 g, of a fat content by weight exceeding 10 %	unlimited
0602	Other live plants (including their roots), cuttings and slips; mushroom spawn	unlimited
0603 11 00 0603 12 00 0603 13 00 0603 14 00 0603 19	Cut flowers and flower buds, of a kind suitable for bouquets or for ornamental purposes, fresh	unlimited
0701 10 00	Seed potatoes, fresh or chilled	215
0702 00 00	Tomatoes, fresh or chilled:	54
0703 10 19 0703 90 00	Onions other than sets, leeks and other alliaceous vegetables, fresh or chilled	269
0704 10 00 0704 90	Cabbages, cauliflowers, kohlrabi, kale and other similar edible brassicas with the exception of Brussels sprouts, fresh or chilled	295
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled	161
0706 10 00	Carrots and turnips, fresh or chilled	269
0706 90 10 0706 90 90	Salad beetroot, salsify, celeriac, radishes and similar edible roots, with the exception of horseradish (<i>Cochlearia armoracia</i>), fresh or	161

Quota No ²⁵	Description	Annual quantity (tonnes net weight)
	chilled	
0707 00 05	Cucumbers, fresh or chilled	54
0708 20 00	Beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.), fresh or chilled	54
0709 30 00	Aubergines (eggplants), fresh or chilled	27
0709 40 00	Celery other than celeriac, fresh or chilled	27
0709 51 00 0709 59	Mushrooms and truffles, fresh or chilled	unlimited
0709 70 00	Spinach, New Zealand spinach and orache spinach (garden spinach), fresh or chilled	54
0709 90 10	Salad vegetables, other than lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled	54
0709 90 20	Chard (or white beet) and cardoons	16
0709 90 50	Fennel, fresh or chilled	54

Quota No²⁵	Description	Annual quantity (tonnes net weight)
0709 90 70	Courgettes, fresh or chilled	54
0709 90 90	Other vegetables, fresh or chilled	54
0710 80 61 0710 80 69	Mushrooms (uncooked or cooked by steaming or boiling in water), frozen	unlimited
0712 90	Dried vegetables, whole, cut, sliced, broken or in powder, whether or not obtained from cooked vegetables, but not further prepared, with the exception of onions, mushrooms and truffles	unlimited
ex 0808 10 80	Apples, other than cider apples, fresh	161
0808 20	Pears and quinces, fresh	161
0809 10 00	Apricots, fresh	27
0809 20 95	Cherries, other than sour cherries (<i>Prunus cerasus</i>), fresh	81
0809 40	Plums and sloes, fresh	54
0810 10 00	Strawberries	11

Quota No²⁵	Description	Annual quantity (tonnes net weight)
0810 20 10	Raspberries, fresh	5
0810 20 90	Blackberries, mulberries and loganberries, fresh	5
1106 30 10	Flour, meal and powder of bananas	.27
1106 30 90	Flour, meal and powder of other fruits of Chapter 8	unlimited
ex 0210 19 50	Hams, in brine, boneless, enclosed in a bladder or in an artificial gut	102
ex 0210 19 81	Piece of boneless chop smoked	
ex 1601 00	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products of animals of headings 0101 to 0104, excluding wild boars	
ex 0210 19 81 ex 1602 49 19	Pork neck, dried in air, seasoned or not, whole, in pieces or thinly sliced	
ex 2002 90 91 ex 2002 90 99	Powdered tomatoes, whether or not containing added sugar, other sweetening matter or starch	
2003 90 00	Mushrooms, other of the genus Agaricus, prepared or preserved otherwise than by vinegar or acetic acid	unlimited

Quota No²⁵	Description	Annual quantity (tonnes net weight)
0710 10 00	Potatoes, uncooked or cooked by steaming or boiling in water, frozen	161
2004 10 10 2004 10 99	Potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading No 2006, with the exception of flour, meal or flakes	
2005 20 80	Potatoes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006, with the exception of flour, meal or flakes and preparations that are thinly sliced, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption	
ex 2005 91 00 ex 2005 99	Powdered preparations of vegetables and mixtures of vegetables, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2008 30	Flaked or powdered citrus fruit, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2008 40	Flaked or powdered pears, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2008 50	Flaked or powdered apricots, whether or not containing added sugar, other sweetening matter or starch	unlimited
2008 60	Cherries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	27

Quota No ²⁵	Description	Annual quantity (tonnes net weight)
ex 0811 90 19 ex 0811 90 39	Cherries, uncooked or cooked by steaming or boiling in water, frozen, containing added sugar or other sweetening matter	
0811 90 80	Cherries, other than sour cherries (<i>Prunus cerasus</i>), uncooked or cooked by steaming or boiling in water, frozen, not containing added sugar or other sweetening matter	
ex 2008 70	Flaked or powdered peaches, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2008 80	Flaked or powdered strawberries, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2008 99	Other flaked or powdered fruits, whether or not containing added sugar, other sweetening matter or starch	unlimited
ex 2009 19	Powdered orange juice, whether or not containing added sugar or other sweetening matter	unlimited
ex 2009 21 00 ex 2009 29	Powdered grapefruit juice, whether or not containing added sugar or other sweetening matter	unlimited
ex 2009 31 ex 2009 39	Powdered juices of any other citrus fruits, whether or not containing added sugar or other sweetening matter	unlimited
ex 2009 41 ex 2009 49	Powdered pineapple juice, whether or not containing added sugar or other sweetening matter	unlimited
ex 2009 71 ex 2009 79	Powdered apple juice, whether or not containing added sugar or other sweetening matter	unlimited

Quota No²⁵	Description	Annual quantity (tonnes net weight)
ex 2009 80	Powdered juice of any other single fruit or vegetable, whether or not containing added sugar or other sweetening matter	unlimited

UK Outward TRQs

Table 6: List of TRQs administered by Switzerland for imports from the UK and new quota volumes (tonnes)

Quota No	Description	New UK quota volume
0101 90 95	Live horses (excl. pure-bred horses for breeding and horses for slaughter) (in number of head)	5 head
0204 50 10	Goat meat, fresh, chilled or frozen	5
0207 14 81	Breasts of fowls of domestic species, frozen	113
0207 14 91	Cuts and edible offal of fowls of domestic species, including livers (excluding breasts), frozen	64
0207 27 81	Breasts of turkeys of domestic species, frozen	43
0207 27 91	Cuts and edible offal of turkeys of domestic species, including livers (excluding breasts), frozen	32
0207 33 11	Ducks of domestic species, not cut in pieces, frozen	38

Quota No	Description	New UK quota volume
0207 36 91	Cuts and edible offal of ducks, geese or guinea fowls of domestic species, frozen (excluding fatty livers)	5
0208 10 00	Meat and edible offal of rabbits or hares, fresh, chilled or frozen	91
0208 90 10	Meat and edible offal of game, fresh, chilled or frozen (other than of hares or wild boar)	5
ex 0210 11 91	Hams and cuts thereof, with bone in, of swine (other than wild boar), salted or in brine, dried or smoked	54
ex 0210 19 91	Hams and cuts thereof, boneless, of swine (other than wild boar), salted or in brine, dried or smoked	
0210 20 10	Dried meat of bovine animals	11
ex 0407 00 10	Edible birds' eggs, in shell, fresh, preserved or cooked	8
ex 0409 00 00	Natural acacia honey	11
ex 0409 00 00	Natural honey, other (excluding acacia)	3
0602 10 00	Unrooted cuttings and slips	unlimited

Quota No	Description	New UK quota volume
<p>0602 20 11</p> <p>0602 20 19</p> <p>0602 20 21</p> <p>0602 20 29</p>	<p>Plants in the form of pomaceous fruit rootstock (of seedling origin or produced by vegetative propagation):</p> <p>— grafted, bare rooted</p> <p>— grafted, with root ball</p> <p>— not grafted, bare rooted</p> <p>— not grafted, with root ball</p>	(1)
<p>0602 20 31</p> <p>0602 20 39</p> <p>0602 20 41</p> <p>0602 20 49</p>	<p>Plants in the form of stone fruit rootstock (of seedling origin or produced by vegetative propagation):</p> <p>— grafted, bare rooted</p> <p>— grafted, with root ball</p> <p>— not grafted, bare rooted</p> <p>— not grafted, with root ball</p>	(1)
	Plants other than in the form of pomaceous or stone fruit by vegetative propagation), of kinds which bear edible fruit:	unlimited

Quota No	Description	New UK quota volume
0602 20 51	— bare rooted	
0602 20 59	— other than bare rooted	
0602 20 71	Trees, shrubs and bushes, of kinds which bear edible fruit, bare rooted: — of kinds which bear pomaceous fruit	(1)
0602 20 72	— of kinds which bear stone fruit	
0602 20 79	— other than of kinds which bear pomaceous or stone fruit	unlimited
0602 20 81	Trees, shrubs and bushes, of kinds which bear edible fruit, with root ball: — of kinds which bear pomaceous fruit	(1)
0602 20 82	— of kinds which bear stone fruit	
0602 20 89	— other than of kinds which bear pomaceous or stone fruit	unlimited
0602 30 00	Rhododendrons and azaleas, grafted or not	unlimited

Quota No	Description	New UK quota volume
0602 40 10	Roses, grafted or not: — wild roses and wild rose stems	unlimited
0602 40 91	other than wild roses or wild rose stems: — bare rooted	
0602 40 99	— other than bare rooted, with root ball	
0602 90 11	Plants (of seedling origin or produced by vegetative propagation), of useful species; mushroom spawn: — seedling vegetables and turf rolls	unlimited
0602 90 12	— mushroom spawn	
0602 90 19	— other than seedling vegetables, turf rolls or mushroom spawn	
	Other live plants (including their roots):	unlimited

Quota No	Description	New UK quota volume
0602 90 91	— bare rooted	
0602 90 99	— other than bare rooted, with root ball	
0603 11 10	Cut roses of a kind suitable for bouquets or for ornamental purposes, fresh, from 1 May to 25 October	54
0603 12 10	Cut carnations of a kind suitable for bouquets or for ornamental purposes, fresh, from 1 May to 25 October	
0603 13 10	Cut orchids of a kind suitable for bouquets or for ornamental purposes, fresh, from 1 May to 25 October	
0603 14 10	Cut chrysanthemums of a kind suitable for bouquets or for ornamental purposes, fresh, from 1 May to 25 October	
0603 19 11	Cut flowers and flower buds (other than carnations, roses, orchids or chrysanthemums) of a kind suitable for bouquets or for ornamental purposes, fresh, from 1 May to 25 October: — woody	
0603 19 19	— other than woody	
0603 12 30	Cut carnations of a kind suitable for bouquets or for ornamental purposes, fresh from 26 October to 30 April	unlimited

Quota No	Description	New UK quota volume
0603 13 30	Cut orchids of a kind suitable for bouquets or for ornamental purposes, fresh from 26 October to 30 April	
0603 14 30	Cut chrysanthemums of a kind suitable for bouquets or for ornamental purposes, fresh from 26 October to 30 April	
0603 19 30	Cut tulips of a kind suitable for bouquets or for ornamental purposes, fresh, from 26 October to 30 April	
0603 19 31	<p>Other cut flowers and flower buds, of a kind suitable for bouquets or for ornamental purposes, fresh, from 26 October to 30 April:</p> <p>— woody</p>	unlimited
0603 19 39	— other than woody	

Quota No	Description	New UK quota volume
0702 00 10	Tomatoes, fresh or chilled: — cherry tomatoes: — from 21 October to 30 April — Peretti tomatoes (elongated): — from 21 October to 30 April — other tomatoes, of a diameter of 80 mm or more (beef tomatoes): — from 21 October to 30 April — other: — from 21 October to 30 April	537
0702 00 20	— from 21 October to 30 April	
0702 00 30	— from 21 October to 30 April	
0702 00 90	— from 21 October to 30 April	

Quota No	Description	New UK quota volume
0705 11 11	Iceberg lettuce, without outer leaf: — from 1 January to the end of February	107
0705 21 10	Witloof chicory, fresh or chilled: — from 21 May to 30 September	107
0707 00 10	Cucumbers for salad, 21 October to 14 April	11
0707 00 30	Pickling cucumbers, > 6 cm but =< 12 cm in length, fresh or chilled, from 21 October to 14 April	5
0707 00 31	Pickling cucumbers, > 6 cm but =< 12 cm in length, fresh or chilled, from 15 April to 20 October	113
0707 00 50	Gherkins, fresh or chilled	43
0709 30 10	Aubergines (eggplants), fresh or chilled: — from 16 October to 31 May	54

Quota No	Description	New UK quota volume
0709 51 00 0709 59 00	Mushrooms, fresh or chilled, of the genus <i>Agaricus</i> or other, with the exception of truffles	unlimited
0709 60 11	Sweet peppers, fresh or chilled: from 1 November to 31 March	unlimited
0709 60 12	Sweet peppers, fresh or chilled, 1 April to 31 October	70
0709 90 50	Courgettes (including courgette flowers), fresh or chilled: — from 31 October to 19 April	107
ex 0710 80 90	Mushrooms (uncooked or cooked by steaming or boiling in water), frozen	unlimited
0711 90 90	Vegetables and mixtures of vegetables, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption	8
0712 20 00	Onions, dried, whole, cut, sliced, broken or in powder, but not further prepared	5
0713 10 11	Peas (<i>Pisum sativum</i>), dried, shelled, whole, unprocessed, for use as animal feed	54
0713 10 19	Peas (<i>Pisum sativum</i>), dried, shelled, whole, unprocessed (excluding those for use as animal feed, for technical purposes or for brewing)	54

Quota No	Description	New UK quota volume
0802 21 90 0802 22 90	Hazelnuts or filberts (<i>Corylus</i> spp.), fresh or dried: — in shell, other than for use as animal feed or for oil extraction — shelled, other than for use as animal feed or for oil extraction	unlimited
0802 32 90	Nuts	5
ex 0802 90 90	Pine nuts, fresh or dried	unlimited
0805 10 00	Oranges, fresh or dried	unlimited
0805 20 00	Mandarins (including tangerines and satsumas); wilkings and similar citrus hybrids, fresh or dried	unlimited
0807 11 00	Watermelons, fresh	unlimited
0807 19 00	Melons, fresh, other than watermelons	unlimited
0809 10 11	Apricots, fresh, in open packings: — from 1 September to 30 June	113

Quota No	Description	New UK quota volume
0809 10 91	in other packings: — from 1 September to 30 June	
0809 40 13	Fresh plums, in open packings, from 1 July to 30 September	32
0810 10 10	Strawberries, fresh, from 1 September to 14 May	537
0810 10 11	Strawberries, fresh, from 15 May to 31 August	11
0810 20 11	Raspberries, fresh, from 1 June to 14 September	13
0810 50 00	Kiwi fruit, fresh	unlimited
ex 0811 10 00	Strawberries, uncooked or cooked by steaming or boiling in water, frozen, not containing added sugar or other sweetening matter, not put up in packings for retail sale, intended for industrial use	54
ex 0811 20 90	Raspberries, blackberries, mulberries, loganberries and black, white or red currants, gooseberries, uncooked or cooked by steaming or boiling in water, frozen, not containing added sugar or other sweetening matter, not put up in packings for retail sale, intended for industrial use	64
0811 90 10	Bilberries, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing	11

Quota No	Description	New UK quota volume
	added sugar or other sweetening matter	
0811 90 90	Edible fruit, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter (excluding strawberries, raspberries, blackberries, mulberries, loganberries and black, white or red currants, gooseberries, bilberries and tropical fruit)	54
0904 20 90	Fruits of the genus Capsicum or of the genus Pimenta, dried or crushed or ground, processed	8
0910 20 00	Saffron	unlimited
1001 90 60	Wheat and meslin (except durum wheat), for use as animal feed	2685
1005 90 30	Maize (corn) for use as animal feed	698
1509 10 91	Virgin olive oil, other than for use as animal feed: — in glass containers holding 2 litres or less	unlimited
1509 10 99		unlimited
	Olive oil and its fractions, whether or not refined, but not chemically modified, other than for use	

Quota No	Description	New UK quota volume
	as animal feed:	
1509 90 91	— in glass containers holding 2 litres or less	unlimited
1509 90 99	in glass containers holding more than 2 litres or in other containers	unlimited
ex 0210 19 91	Hams, in brine, boneless, enclosed in a bladder or in an artificial gut	199
ex 0210 19 91	Piece of boneless chop, in brine and smoked	
1601 00 11 1601 00 21	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products of animals of headings 0101 to 0104, excluding wild boars	
ex 0210 19 91 ex 1602 49 10	Pork neck, dried in air, seasoned or not, whole, in pieces or thinly sliced	
	Tomatoes, whole or in pieces, prepared or preserved other than by vinegar or acetic acid:	
2002 10 10	— in containers holding 5 kg or less	unlimited
2002 10 20	— in containers holding 5 kg or less	unlimited

Quota No	Description	New UK quota volume
	Tomatoes, prepared or preserved other than by vinegar or acetic acid, other than whole or in pieces:	unlimited
2002 90 10	— in containers holding more than 5 kg	
2002 90 21	Tomato pulp, puree and concentrate, in hermetically sealed containers, with a dry matter content of 25 % or more by weight, consisting of tomatoes and water and possibly salt or other seasoning, in containers holding 5 kg or less	unlimited
2002 90 29	Tomatoes, prepared or preserved other than by vinegar or acetic acid, other than whole or in pieces, and other than tomato pulp, puree or concentrate: — in containers holding 5 kg or less	unlimited
2003 10 00	Mushrooms of the genus <i>Agaricus</i> , prepared or preserved other than by vinegar or acetic acid	91
ex 2004 90 18	Artichokes, prepared or preserved other than by vinegar or acetic acid, frozen, other than products of heading No 2006: — in containers holding more than 5 kg	unlimited
ex 2004 90 49	— in containers holding 5 kg or less	unlimited

Quota No	Description	New UK quota volume
2005 60 10 2005 60 90	Asparagus, prepared or preserved other than by vinegar or acetic acid, not frozen, other than products of heading No 2006: — in containers holding more than 5 kg — in containers holding 5 kg or less	unlimited
2005 70 10 2005 70 90	Olives, prepared or preserved other than by vinegar or acetic acid, not frozen, other than products of heading No 2006: — in containers holding more than 5 kg — in containers holding 5 kg or less	unlimited
ex 2005 99 11 ex 2005 99 41	Capers and artichokes, prepared or preserved other than by vinegar or acetic acid, not frozen, other than products of heading No 2006: — in containers holding more than 5 kg — in containers holding 5 kg or less	unlimited unlimited
2008 30 90	Citrus fruit, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	unlimited

Quota No	Description	New UK quota volume
2008 50 10	Apricot pulp, otherwise prepared or preserved, not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	unlimited
2008 50 90	Apricots, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	unlimited
2008 70 10	Peach pulp, otherwise prepared or preserved, not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	unlimited
2008 70 90	Peaches, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	unlimited
ex 2009 39 19	<p>Juice of any other single citrus fruit other than orange, grapefruit or pomelo, unfermented, not containing added spirit:</p> <p>— not containing added sugar or other sweetening matter, concentrated</p>	unlimited
ex 2009 39 20	<p>— containing added sugar or other sweetening matter, concentrated</p>	unlimited
2204 21 50	<p>Dessert wines, specialities and mistelles in containers:</p> <p>— holding 2 litres or less</p>	unlimited

Quota No	Description	New UK quota volume
2204 29 50	— holding more than 2 litres	unlimited
2309 1021 2309 1029	Dog and cat food in airtight containers	322

(1) subject to an overall annual quota of 3222 plants.

Geographical Indications (GIs)

116. The UK-Switzerland Trade Agreement retains the protections provided in the EU-Switzerland Trade Agreements when the UK ceases to be bound by those agreements for UK and Switzerland geographical indications (GIs). The retained protections include those that extend to the territory of both Northern Ireland and the Republic of Ireland, known as ‘transborder GIs’, for Irish Whisky/Irish Whiskey/Uisce Beatha Eireannach and Irish Cream. All other GIs, traditional expressions and protected designations which relate to EU Member States that are not the UK are not incorporated into the UK-Switzerland Trade Agreement (see paragraphs 3(e), 4(b) and 5(c) of Annex 4 of the Incorporated Agriculture Agreement). This is because the UK-Switzerland Trade Agreement is a bilateral, and therefore can only protect GIs of states that are party to the agreement. This has no effect on existing GI protections relating to EU Member States in Switzerland, which will remain protected under the EU-Switzerland Agriculture Agreement. We do not expect these changes to have an impact on bilateral trade flows between the UK and Switzerland.

The Incorporated GSP Exchanges of Letters

117. The EU-Switzerland GSP Exchange of Letters was originally drafted in a trilateral context and corresponded with a similar EU-Norway Exchange of Letters. The changes made are to remove misleading references to a trilateral relationship that includes Norway and to ensure continuity of the letters’ effects in a bilateral UK-Switzerland context. A separate arrangement with Norway will need to be made to fully replicate the EU’s GSP exchange of letters.

The Incorporated Anti-Fraud Agreement

118. Most necessary changes to this agreement have been made by Article 1 of the Umbrella Instrument. The further modifications specified in Annex 6 of the UK-Switzerland Trade Agreement are technical. There is no material impact on the

legal effect and intentions of trade relations between UK and Switzerland from these changes.

The Incorporated Customs Security Agreement

119. Article 1.2 of the Umbrella Instrument disapplies the entirety of this agreement. This has been done because the continuation of this agreement would require the UK to reach an agreement with the EU on safety and security. Upon entry into force of the UK-Switzerland Trade Agreement, the Joint Committee, as specified in Article 1.3, shall examine whether this agreement should be applied with or without modifications following consideration of the UK-EU relationship in this subject matter.

Impact

120. In 2017, UK exports of trade in goods to Switzerland was £7.5bn and the UK imports of trade in goods from Switzerland was £7.9bn. Of this, 85% of both imports and exports (separately) by value was undertaken by Authorized Economic Operators (AEOs). While the expectation is that the volume of trade will continue, the impact for not transitioning the Customs Security Agreement would be the loss of mutual recognition of our AEO(S) scheme with Switzerland, which would result in UK AEO accredited traders/businesses missing out on the benefits of being a recognised trusted trader, for example fewer checks at the Swiss border, though anecdotal evidence has indicated that Switzerland applies broadly the same checks to AEO and non-AEO traders.

Memorandum of Understanding

121. In addition to the UK-Switzerland Trade Agreement, the Department for International Trade has also signed a Memorandum of Understanding (“MoU”) with the State Secretariat for Economic Affairs of Switzerland. This MoU is a statement of intent. It is not intended as a legally binding document and does not create any legally binding obligations under international law.
122. The MoU commits both sides to continue discussions about ensuring continuity in our trade relations before the UK-Switzerland Trade Agreement comes into effect. In particular, these will focus on areas of the Incorporated Agreements that are suspended in the Agreement at present – as reflected in Article 1 of the Umbrella Instrument of the UK-Switzerland Trade Agreement and outlined in this report.
123. The MoU contains a specific commitment to work towards arrangements that allow for the mutual recognition of conformity assessment bodies in sectors covered by the EU-Switzerland Mutual Recognition Agreement with the aim of bringing these into effect on the date that the UK-Switzerland Trade Agreement comes into effect. Discussions to this effect are ongoing at the point of publication of this document.

124. The MoU also re-affirms that both sides will conduct exploratory discussions with a view of replacing or modernising the UK-Switzerland Trade Agreement within 24 months from the date the UK withdraws from the EU, regardless as to whether the UK-Switzerland Trade Agreement has come into effect by that point.

125. The text of this MoU is available on [GOV.UK](https://www.gov.uk).

ANNEX A - UK-Switzerland Mutual Recognition Agreement (MRA) – Trade flows

UK Exports to Switzerland

From 2013-2017, average annual UK exports to Switzerland were £23.8bn.²⁶ Of this, **£2.2bn** of UK exports are under the scope of the MRA; this represents **9.2% of UK goods exports to Switzerland** and **0.7% of total UK goods exports**.

A large proportion of all UK exports covered by the MRA are captured by a limited number of chapters. These chapters and the proportion of UK goods exports to Switzerland are: Medicinal products, GMP inspection and batch inspection (2.9%); Good Laboratory Practice (2.6%); Machinery (2.0%) and Motor Vehicles (1.5%).

As of January 2019, three chapters have agreed to be transitioned by the UK: Good Laboratory Practice, GMP inspection and batch inspection and Motor Vehicles. Together these cover over three-quarters of the exports in scope of the MRA (76.2%), and 7% of total UK goods exports to Switzerland.

²⁶ All MRA figures are estimates based on ongoing internal DIT analysis of bilateral goods trade covered by specific directives in the MRA, using HMRC Overseas Trade Statistics. 5-year average trade flows (2013-2017).

Exports (5-year averages, 2013-2017)²⁷

		Value of exported goods (£)	Value as a % of MRA ²⁸	Value as a % of UK goods exports to Switzerland	Value as a % of total UK goods exports
	Full MRA	£2,188.5m	-	9.2%	0.7%
1	Machinery	£ 480.6m	22.0%	2.0%	0.1%
2	Personal protective equipment	£ 4.1m	0.2%	0.0%	0.0%
3	Toys	£ 17.6m	0.8%	0.1%	0.0%
4	Medical	£ 90.5m	4.1%	0.4%	0.0%
5	Gas appliances and boilers	£ 0.4m	0.0%	0.0%	0.0%
6	Pressure vessels	£ 12.2m	0.6%	0.1%	0.0%
7	Radio equipment and telecommunications terminal equipment	£ 76.4m	3.5%	0.3%	0.0%
8	Equipment and protective systems intended for use in potentially explosive atmospheres	£ 29.3m	1.3%	0.1%	0.0%
9	Electrical equipment and electromagnetic compatibility	£ 126.9m	5.8%	0.5%	0.0%
10	Construction plant and equipment	n/a			
11	Measuring instruments and pre- packages	£ 80.7m	3.7%	0.3%	0.0%
12	Motor vehicles	£ 362.0m	16.5%	1.5%	0.1%
13	Agricultural or forestry tractors	£ 5.7m	0.3%	0.0%	0.0%
14	Good laboratory practice (GLP)	£ 621.1m	28.4%	2.6%	0.2%
15	Medicinal products, GMP inspection and batch inspection	£ 685.8m	31.3%	2.9%	0.2%
16	Construction products	n/a			
17	Lifts	£ 7.7m	0.4%	0.0%	0.0%
18	Biocidal products	£ 7.6m	0.3%	0.0%	0.0%
19	Cableway installations	£ 7.7m	0.4%	0.0%	0.0%
20	Explosives for civil use	Data not available			

*across sections of the MRA there is significant repetition of products covered, therefore the full MRA value (which has been corrected for this by removing duplicates) is not equal to the sum of the disaggregated sections. This is also why the values as a % of the MRA do not add to 100%.

Source: [HMRC trade statistics by commodity code](#) (accessed 29th November 2018). Sectors classified according to Harmonised System Sections. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

²⁷ Total UK Goods Exports £ 322.5bn; Total UK Goods Exports to Switzerland £ 23.8bn; UK Exports covered by UK-Switzerland MRA £ 2.2bn

²⁸ Excluding construction products (Chapters 10 and 16)

UK Imports from Switzerland

From 2013-2017, average annual UK imports from Switzerland were £12bn. **£4.2bn** of UK imports are under the scope of the MRA; this represents **34.9% of UK goods imports from Switzerland** and **0.9% of total UK goods imports**. The value of the goods covered by the MRA is around double when looking at UK imports compared to UK exports.

The chapter on Medicinal products, GMP inspection and batch inspection forms a significant part of the Agreement. Covering one quarter of UK goods imports from Switzerland (25.7%). Additionally, the chapters on Machinery and Good Laboratory Practice form a large proportion of imports covered by the MRA (5.0% and 3.1% of UK goods imports from Switzerland respectively).

The three chapters agreed to be transitioned together cover 84% of the imports in scope of the MRA, and just under 30% of total UK goods imports to Switzerland.

Imports (5-year averages, 2013-2017)²⁹

		Value of imported goods	Value as a % of MRA ³⁰	Value as a % of UK goods imports from Switzerland	Value as a % of total UK goods imports
	Full MRA	£4,156.1m	-	34.9%	0.9%
1	Machinery	£ 598.0m	14.4%	5.0%	0.1%
2	Personal protective equipment	£ 1.2m	0.0%	0.0%	0.0%
3	Toys	£ 6.6m	0.2%	0.1%	0.0%
4	Medical	£ 107.4m	2.6%	0.9%	0.0%
5	Gas appliances and boilers	£ 3.4m	0.1%	0.0%	0.0%
6	Pressure vessels	£ 58.5m	1.4%	0.5%	0.0%
7	Radio equipment and telecommunications terminal equipment	£ 25.2m	0.6%	0.2%	0.0%
8	Equipment and protective systems intended for use in potentially explosive atmospheres	£ 37.4m	0.9%	0.3%	0.0%
9	Electrical equipment and electromagnetic compatibility	£ 94.9m	2.3%	0.8%	0.0%
10	Construction plant and equipment	n/a			
11	Measuring instruments and pre-packages	£ 84.3m	2.0%	0.7%	0.0%
12	Motor vehicles	£ 47.8m	1.1%	0.4%	0.0%
13	Agricultural or forestry tractors	£ 0.7m	0.0%	0.0%	0.0%
14	Good laboratory practice	£ 374.3m	9.0%	3.1%	0.1%
15	Medicinal products, GMP inspection and batch inspection	£ 3,054.7m	73.5%	25.7%	0.7%
16	Construction products	n/a			
17	Lifts	£ 4.1m	0.1%	0.0%	0.0%
18	Biocidal products	£ 15.8m	0.4%	0.1%	0.0%
19	Cableway installations	£ 4.1m	0.1%	0.0%	0.0%
20	Explosives for civil use	Data not available			

*across sections of the MRA there is significant repetition of products covered, therefore the full MRA value (which has been corrected for this by removing duplicates) is not equal to the sum of the disaggregated sections. This is also why the values as a % of the MRA do not add to 100%.

Source: [HMRC trade statistics by commodity code](#) (accessed 29th November 2018). Sectors classified according to Harmonised System Sections. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

²⁹ Total UK Goods Imports £ 445.0bn; Total UK Goods Imports from Switzerland £ 12.0bn; UK Imports covered by UK-Switzerland MRA £ 4.2bn

³⁰ Excluding construction products (Chapters 10 and 16)

ANNEX B: Agriculture Agreement Product Lines

In estimating trade flows for goods related to the four disapplied annexes, HMRC data has been examined at commodity code level and any corresponding codes have been mapped to their associated annex. For Plant Health these codes cover plants, plant products and other objects subject to plant health measures i.e. wood packaging material. Animal feed includes goods for preparations of a kind used in animal feeding covered by HS [2309](#). Seeds covers commodity codes for seeds of agricultural, vegetable and fruit goods. Finally, trade flows for Animal Health represent trade in products of animal origins.

The figures provided are estimates of the trade flows in these goods due to limitations in availability of trade data and the ability to only break products down to a certain level. Commodity codes are assigned based on what is represented by the majority of the commodity code, there may however be trade encapsulated in these estimates for goods not covered by these annexes if included in codes where the majority of goods are covered, likewise, trade for goods where annex goods only represent a small proportion of a commodity code may not be included.

Annex	Volume (tonnes)		Values (£000s)	
	UK Exports to Switzerland 2015-17	UK Imports from Switzerland 2015-17	UK Exports to Switzerland 2015-17	UK Imports from Switzerland 2015-17
4. Plant Health	1,289	462	902	615
5. Animal Feed	3,171	289 ³⁰	5,825	2,289
6. Seeds	146	40	310	117
11. Animal Health	11,389	8,162	63,053	55,133

Annex	Volume (tonnes)		Values (£000s)	
	UK Exports to ROW 2015-17	UK Imports from ROW 2015-17	UK Exports to ROW 2015-17	UK Imports from ROW 2015-17
4. Plant Health	3,329,504	10,295,915	620,342	5,982,929
5. Animal Feed	694,035	1,064,794 ³¹	950,745	931,554
6. Seeds	206,050	145,647	111,906	193,229
11. Animal Health	5,266,933	9,218,471	10,359,019	20,028,928

³⁰ This number was changed from 2,289 to 289 on 22 March 2019 to correct a drafting error.

³¹ This number was changed from 931,554 to 1,064,794 on 22 March 2019 to correct a drafting error.

	Volume (tonnes)		Values (£000s)	
	UK Exports to Switzerland 2015-17	UK Imports from Switzerland 2015-17	UK Exports to Switzerland 2015-17	UK Imports from Switzerland 2015-17
Trade in All goods (01-99)	307,847	651,085	17,414,065	14,169,485

Source: [HMRC trade statistics by commodity code](#) (accessed 29th November 2018). Sectors classified according to Harmonised System Sections. Data presented is recorded on a 'physical movement' basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

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