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When Giants Compete, Middle Powers Connect

Why the U.K.-Swiss Partnership Matters in a Fragmenting World.



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A decade ago, the author (a Durham University alumnus, Swiss citizen, and Liechtenstein entrepreneur) wrote an article titled *"Uncertainty: A Simple Question of Patience, Perspective, and Time Horizon" also for Executive Global* magazine, addressing the potential consequences of Brexit.

It highlighted that uncertainty is an inherent part of life, not a challenge to overcome. What feels urgent now often loses significance over time. Staying patient, focusing on what truly matters, and avoiding short-term distractions are essential for sound decision-making and maintaining confidence during change. Ultimately, resilience stems from adapting thoughtfully to the future, rather than trying to predict it.

The post-Cold War era was characterised by a prevailing assumption that globalisation would lead to deepening economic integration, gradual alleviation of geopolitical tensions, and the fostering of interconnected markets that would yield widespread prosperity. However, this assumption is currently being scrutinised. Trade disputes, technological rivalries, geopolitical tensions, and heightened national security concerns have profoundly altered the global landscape, leading to a fragmented scenario in which economic relationships are increasingly shaped by geopolitical influences.

Notably, fragmentation does not equate to de-globalisation. Instead, it appears to be fostering the emergence of a new framework for international cooperation, predominantly steered by a coalition of economically sophisticated middle powers, rather than solely by the world's predominant authorities. Within this paradigm, the newly enhanced U.K.-Swiss Free Trade Agreement transcends the status of a mere bilateral trade arrangement; it exemplifies the capability of like-minded nations to fortify economic connections, augment resilience, *and facilitate prosperity amid an increasingly unpredictable global environment*.

This agreement has garnered significant attention, as it unites two of Europe's most internationally oriented economies. The United Kingdom and Switzerland stand out as global front-runners in services, finance, innovation, and high-value industries. It establishes a contemporary infrastructure for services, investment, digital trade, intellectual property, and the mobility of highly skilled professionals, aligning with the surging importance of knowledge-based industries in both economies.

MUTUALLY BENEFICIAL

From a conventional economic perspective, the advantages of the agreement are unequivocal. For the United Kingdom, the agreement secures deeper access to one of the world's most affluent and sophisticated markets. Switzerland is already an important trading partner for Britain, increasingly recognised as a significant destination for U.K. service exports. By lowering barriers for financial institutions, legal firms, consultants, architects, technology enterprises, and various professional service providers, *the agreement presents substantial opportunities for British businesses*. It bolsters the U.K.'s aspiration to consolidate its standing as a global services powerhouse while underscoring the centrality of international openness within its economic strategy.

The benefits for Switzerland are equally significant. The agreement fortifies its ties with one of the leading service economies globally and *enhances Switzerland's position as a preferred destination for international business*. Amid growing geopolitical uncertainty and resurgent economic nationalism, the framework delivers a definitive endorsement of open markets, legal certainty, and international collaboration. It enhances investment conditions, intellectual property protection, cross-border services, and promotes the sustained expansion of digital commerce.

A more nuanced exploration of the agreement within a broader geopolitical context, reveals its intriguing dimensions. At the recent World Economic Forum in Davos, Canadian Prime Minister Mark Carney articulated a pertinent perspective regarding the evolving role of the world's "middle powers." He posited that nations such as Canada possess vital assets increasingly demanded in today's geopolitical climate, including energy resources, critical minerals, educated populations, robust institutions, substantial capital reserves, and the fiscal capability to act decisively. His overarching assertion champions the notion that countries outside the traditional sphere of great powers possess significant agency in shaping a stable, resilient, and cooperative global order.

In this light, the U.K.-Swiss partnership aligns seamlessly with this emergent narrative. Neither nation qualifies as a superpower. However, both exert *substantial influence that exceeds their geographic dimensions*. They host globally significant financial centres, prestigious universities, advanced innovation ecosystems, skilled labour forces, and legal frameworks respected by international investors, thereby attracting talent, capital, and entrepreneurs from around the globe.



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> "REMAINING OUTSIDE THESE STRUCTURES HELPS PRESERVE A POLITICAL MODEL MOST SWISS CITIZENS REGARD AS A CORNERSTONE OF NATIONAL IDENTITY..."

These attributes characterise successful middle powers. In an era when relations between established global powers are strained, countries such as Canada, Switzerland, Australia, Norway, Singapore, the United Kingdom and others are seizing opportunities to enhance their strategic significance. They merge political stability with economic openness, institutional credibility with innovation, and financial robustness with global connectivity. As focus shifts toward supply chain resilience, energy security, technological competitiveness, and trustworthy partnerships, these advantages assume importance in today's geopolitical landscape.

SWISS STABILITY AND SOVEREIGNTY

Switzerland (as does the U.K.) occupies a unique position in Europe. Unlike its neighbour Liechtenstein, which participates in the European Economic Area (EEA), Switzerland has chosen a different path, maintaining close economic ties with the European Union through a network of bilateral agreements, while remaining outside both the EU and the EEA. This has provided Switzerland with several advantages contributing to its economic resilience, political stability, and international competitiveness.

One of the key advantages is **political sovereignty**. Switzerland maintains *full control over its legislative processes,* enabling it to tailor laws and regulations to align with domestic priorities, *around the world.* This independence enables Switzerland to pursue agreements that reflect its specific economic interests. As a relatively small but highly globalised economy, the ability to act independently in trade negotiations provides a *valuable strategic advantage.*

The country's financial sector also benefits from regulatory autonomy. Although Swiss regulations are often aligned with international standards, authorities retain the freedom to design rules that suit the structure of the domestic economy. This flexibility has supported Switzerland's role as a leading global wealth management centre and preserved its attractiveness to international investors and businesses.

Remaining outside the EU and EEA, has allowed Switzerland to maintain greater control over its immigration policy. While its bilateral agreements with the EU include provisions for freedom of movement, Switzerland has more flexibility to negotiate and adjust various aspects of migration policy compared to EEA members. This holds significant political importance, given Switzerland's small size, high levels of prosperity, and concerns regarding infrastructure, housing, and the labour market.

AUTONOMY AND NEUTRALITY

Liechtenstein, though, enjoys a unique position within the EEA. Although it participates in its free movement of people framework, it is allowed to rather than automatically adopting extensive EU legislation. Although the country often aligns its regulations with European standards to facilitate trade, it does so *selectively and on its own terms*. This flexibility empowers Swiss policymakers to respond more swiftly to shifting economic conditions and uphold policies that resonate with the preferences of Swiss voters. In contrast, Liechtenstein is required to continuously implement EU legislation, which matters most for financial services.

Closely linked to sovereignty is Switzerland's tradition of direct democracy. Swiss citizens can challenge laws through referendums and initiate constitutional changes through popular initiatives. Full participation in the EU or EEA framework could impose legal obligations that are less flexible, and more difficult to reconcile with this system. *Remaining outside these structures helps preserve a political model most Swiss citizens regard as a cornerstone of national identity and good governance.*

Another key advantage is economic flexibility and competitiveness. Switzerland has been able to maintain a business-friendly tax environment and tailor its regulatory framework to support innovation and entrepreneurship. This has helped attract multinational corporations, financial institutions, and highly skilled professionals. The country consistently ranks among the world's most competitive economies, benefiting from stable institutions, strong property rights, and a pragmatic regulatory approach.

Switzerland also enjoys considerable autonomy in trade policy. While maintaining extensive access to European markets through bilateral agreements, *it is free to negotiate its own trade deals with countries* uphold annual quotas for residence permits, due to its exceptionally small size, limited territory, and demographic sensitivities. This special exemption enables Liechtenstein to enjoy full access to the European single market while exercising greater control over its population growth. Coupled with its substantial cross-border commuter workforce from Switzerland and Austria, *this arrangement strikes a rare balance* between economic integration, national identity, and social stability.

In summary, Switzerland's decision to remain outside both the EU and the EEA has preserved a high degree of political autonomy, protected its system of direct democracy, enhanced economic flexibility, and allowed it to pursue independent trade and regulatory policies. While this approach requires continuous negotiation with the European Union and other global political players, many Swiss citizens view the balance between market access and national sovereignty as one of the **key foundations** of the country's long-term success. Furthermore, Switzerland's independent status strengthens its reputation for neutrality and international mediation. The country hosts numerous international organisations and often acts as a diplomatic intermediary. While EU membership would not necessarily eliminate neutrality, remaining outside major political integration structures reinforces Switzerland's image as an independent actor on the global stage. Other free trade agreements, such as the one with the U.K., illustrate a complex but rewarding path. **EG**

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