

Switzerland and the European Union: A model for Britain

By Glen Ruffle

Introduction

Switzerland nestles at the heart of Europe between France, Germany, Austria and Italy, yet is not a member of the European Union. Despite this, or perhaps because of this, it is renowned as the world's greatest example of direct democracy and has one of the highest wealth to population ratios of anywhere in the world, above the United States, Japan and Europe.

Government

Switzerland is divided into 26 regions, known as Cantons, which together form the Swiss Confederation. There is a federal structure that clearly divides the powers the Cantons hold with the powers the federal government holds.

Switzerland is also famed for its 'direct democracy'. The Swiss can challenge any law passed through the Federal Assembly by referendum or they can introduce citizens' initiatives which, if they collect enough signatures, mean that the legislature is obliged to look at legislating in the policy area of concern. Of all the Council of Europe's members, the Swiss have the highest rate of usage of direct democracy.

The government has three component parts, representing and performing the roles of legislature, executive and judiciary.

Legislature

The legislative function of the state is performed by the bicameral parliament, known as the **Federal Assembly**. This subdivides into the Council of States and the National Council, both with members serving four year periods.

The Council of States

This council is composed of forty-six representatives elected in their Cantons. Each Canton sends two representatives, and half-Cantons send one. Each Canton chooses its own way of electing the representatives they send to the Council.

The National Council

Consisting of 200 elected representatives, this Council is elected by proportional representation from the Cantons. The number of representatives a Canton can send are determined by the size of the population of the Canton.

Executive

The **Federal Council** is the executive branch of government. The Federal Council consists of seven members, elected for four year terms, in practice chosen from among the members of the National Council by a secret ballot poll of all members of the Federal Assembly.

Each year from among them a President is chosen, who acts as a nominal head of state, though this is purely symbolic: the entire Federal Council, collectively, is in fact the 'head of state'. Each Councillor is also the head of one of the seven departments of government.

Judiciary

The **Federal Court** is the highest court, hearing appeals referred to it from the Cantonal Courts.

Administrative Support

The Swiss 'civil service' is the Federal Administration. This is composed of seven departments, each one headed by a member of the Federal Council. The Federal Chancellery is the staff organisation for the Administration and Federal Council.

1. **Federal Department of Foreign Affairs:** deals with Swiss relations with the outside world and Swiss-EU relations.
2. **Federal Department of Economic Affairs:** looks after economic policy, trade, agriculture and competition, and also assists the Department for Foreign Affairs with Swiss-EU relations.
3. **Federal Department of Home Affairs:** deals with issues such as education, public health and culture.
4. **Federal Department of Justice and Police:** covers areas of justice, migration and law.
5. **Federal Department of Defence, Civil Protection and Sports:** deals with national defence and sports policy.
6. **Federal Department of Finance:** responsible for taxation, insurance and banking.
7. **Federal Department of Environment, Transport, Energy and Communications:** deals with infrastructure, TV, and energy supplies.

Swiss-EU relations

The Federal Administrations' Department of Foreign Affairs and Department of Economic Affairs manage the relationship between Switzerland and European Union. The Department of Foreign Affairs leads the relationship, via the Swiss mission to the European Communities based in Brussels.

Swiss-EU relations are legally spelled out in two sets of bilateral negotiations, known as the Bilateral Accords I and the Bilateral Accords II.

Because Switzerland is not a member of the EU, it holds no voting rights, and when a decision is taken, the Swiss do not have a say. Yet the formal meetings of Ministers in the Council of the European Union, where proposals become laws, are usually just rubber-stamping exercises. The real arenas where discussions and policies are formulated occur in the working groups of experts which meet to work out the policies, which in turn are fed to the Permanent Representatives, who then recommend them to the relevant member state government ministers.

And it is here, in the working groups and committees that Switzerland's informal influence exists. Swiss input into the EU policy process occurs at both ends of the European policy process. Swiss expertise exists in European Commission working groups, where policy is proposed, and also in the Council of the European Union, where policy becomes law.

And when the Swiss want to negotiate cooperation or a new area of relations with the EU, they establish Joint Bilateral Commissions to work out the details.

Thus, although Switzerland has no legal rights, its influence is often exerted from the very beginning of the policy process.

Due to Switzerland's geographical location, cooperation with the EU is essential, as rules in one state inadvertently have implications on the others. Thus Switzerland does have to take into account and consideration much of the EU's law, leading some to claim that Switzerland is a virtual member of the EU. The process does work both ways though, particularly in the area of transport policy. The geographical location of Switzerland means that although Switzerland has no formal decision rights, informally the EU must work with the Swiss to ensure sensible policies are pursued.

The Swiss government states that bilateral relations with the EU have had no effect on the validity and integrity of the direct democracy or federal structures of Switzerland. The Swiss Cantons help the Federal government in its bilateral agreements, provide representatives on delegations and help define the Swiss position. The implementation of any bilateral agreement, in policy areas that fall under Cantonal jurisprudence, is purely in the hands of the Cantons and their courts to enforce.

Through Swiss membership of the World Trade Organisation (WTO), the European Free Trade Association (EFTA), and through the bilateral accords negotiated between Switzerland and the EU, Switzerland has been able to punch far above its weight in international economic relations as well. The effect of this has been to reduce the economic appeal of EU membership substantially, as Switzerland suffers very little from trade barriers.

The Schengen and Dublin Acquis

The Schengen agreement refers to a decision by twenty-five states to relax and dismantle border controls between their respective states and thus allow freedom of movement. The Dublin Acquis relates to the procedure to decide which member state decides on an asylum application.

Switzerland is due to implement the full Schengen agreement in late 2008, though maintains the right to spot check. It does not hold co-decision rights, but does participate in the development of policy in this area like any other state, and is able to reject or accept any new Schengen/Dublin rules. Rejection would lead to the entire agreement being cancelled, adding extra incentives for both parties to find a solution acceptable to Switzerland.

In the wider context of the European Common Foreign and Security Policy, Switzerland cooperates on a case-by-case basis. This ad-hoc nature reduces permanent costs from institutional structures and allows Switzerland to keep its famed neutrality intact.

Swiss advantages

Because the Swiss do not have to accept every rule and piece of legislation that emanates from Brussels, they can maintain a competitive economy and prosper in the globalised world, rather than be weighed down with cumbersome and inefficient legislation, such as the EU's Markets In Financial Instruments Directive (MIFID) or Financial Services Action Plan (FSAP).

Although the European Commission has criticised cantonal tax laws, frustrated at the businesses which have left the EU and relocated to Switzerland, the Swiss Federal Council has adamantly defended its autonomy in taxation matters and its ability to pursue and provide policies which make Switzerland a competitive business location.

In Environmental matters, Switzerland started cooperation with the European Environment Agency in 2006, and has thus gained the ability to develop and influence environmental

protection measures across the entire EU. Yet it maintains its independence and thus is not committed to harmonisation of any standards, either upwards or downwards, itself.

By engaging in bilateral relations with programmes the Swiss are interested in pursuing, the demands on the Confederation's budget are thus limited. For the 2007-2013 period, the total cost of these commitments could be in excess of SFr 440 million a year, but much of the money, possibly even 100% of it, could be returned to Switzerland as financial support for Swiss participants. The areas of cooperation include research, training, education, Schengen and Dublin cooperation, and in some EU agencies.

Benefits for everyone

The Swiss have built into their negotiations many benefits that enable them to live as though they were members of the EU, whilst still maintaining their neutrality.

The Swiss have the right to buy homes in the EU, as long as they have residency permits for that EU state. Likewise, EU citizens need residency permits to live in Switzerland, and as long as Switzerland is the place of their permanent residency, they can then purchase property. Freedom of movement is also guaranteed, whilst the Swiss phased in many of their agreements, opening up the labour market gradually and reserving the right to restrict economic immigration.

With mutual recognition of qualifications worked out in the negotiations, Swiss qualifications and qualifications gained in the EU carry equal legal validity, and Swiss citizens have to be treated the same as nationals of any EU state they work in, meaning equal wages, working conditions, taxes and social benefits are guaranteed.

The second set of bilateral accords cover the areas of retirement and pensions. In reciprocal arrangements, Swiss citizens enjoy similar pension and social security arrangements as EU citizens. Social security arrangements are coordinated (though not standardised) so that Swiss citizens living in the EU will receive comparable benefits relevant to that EU state. They are free to retire anywhere in the EU, so long as they have sufficient financial means to support themselves and insurance.

The Swiss government believes that its bilateral approach "...has made it possible on one hand to deal with problems as and when they arise, and on the other to establish a network of agreements in areas of mutual interest".¹

Conclusion

Switzerland's relationship with the EU is similar to the Earth's relationship with the Moon. Inevitably, the Earth, being the larger body, has more influence; yet the Moon is still a powerful presence, exerting power and influence on the natural processes of the earth.

So with Switzerland and the EU. The EU is obviously the larger power with more influence, but Switzerland, as we have seen, has maintained, via its bilateral approach, a freedom of manoeuvre and adaptability that has kept it as one of the wealthiest places in the world and highly flexible in the global market.

As a potential model for Britain to adopt in seeking a new relationship with the EU, Switzerland is a good place to start. Small, land-locked and with four national languages, Switzerland has yet still managed to be competitive and vibrant in the global economy.

¹ Page 2, Information file on the Europe 2006 Report' (June 2006). Federal Department of Foreign Affairs (FDFA); Federal Department of Economic Affairs (FDEA).

The United Kingdom has so many advantages that the Swiss do not. Large, powerful, with global reach and international trading connections, the UK would be in a far stronger position to negotiate a successful and constructive bilateral relationship with the European Union if the British government were to accept this is the logical way forwards.

Global Vision's research and polling shows that this is indeed the sensible way to proceed, and is the democratic will of the British people.

The message from Switzerland is that, with the right government in place, having the best of both worlds is possible.

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Urs Bucher, *Switzerland in Europe*, head of the Integration Office, Federal Department for Foreign Affairs/Federal Department for Economic Affairs.

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Global Vision is a non-partisan campaign group backed by economists, politicians and business leaders that argues for a looser British relationship with the EU, based on free trade and mutually beneficial cooperation, whilst opting out of economic and political union. Global Vision believes that this is the right relationship for Britain in the 21st century's rapidly changing world. For more details on Global Vision please visit our website: www.global-vision.net.