The Foreign Policy Centre
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Swiss ponder 'quarter-way house' to EU membership

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Thursday, 18th March 2006

In June the Swiss government will be publishing a fundamental reappraisal of its relationship with the EU which could – but probably won't – lead to a reactivation of its membership application. This was shelved in 1992, when Swiss voters narrowly rejected entry into the European Economic Area (EEA).

Since then the Swiss relationship to the EU has been governed by 16 painfully negotiated sectoral agreements, only half of which have yet come into force. The choice facing the government in June will be whether to persevere with this route, with the prospect of a perhaps never-ending series of further agreements, widening and deepening the relationship but still on a fragmented basis; to have a further attempt to persuade their voters to join the EEA, or to go the whole hog and seek full EU membership.

The sectoral agreements were originally sought by the Swiss government, aghast at the prospect of being totally excluded from the EU's internal market when, to their horror, their voters unexpectedly rejected the EEA alternative. The first group of seven agreements, known collectively as Bilateral One, were negotiated between 1994-99, and came into force in June 2002. They covered Research, Technical barriers to trade, Free movement of persons, Air transport, Land transport, Agriculture and Public Procurement.

The second batch, known as Bilateral Two, of nine agreements and one declaration of intent, were negotiated between 2001-2004, and will come progressively into force, sometimes with transitional periods, over the next decade. They concern Processed agricultural goods, Statistics, Media, Environment, Pensions, Education and occupational training, Taxation of savings, Schengen, Asylum policy and the Fight against fraud.

Much the most difficult of these to negotiate was that on the taxation of savings, which was absolutely essential if the EU's own directive was to be effective. Along with other European tax havens, such as Andorra, Liechtenstein, Monaco and San Marino, Switzerland was finally persuaded to introduce a withholding tax on non-resident investors in order to prevent massive tax avoidance by EU citizens.

A detailed assessment of the sectoral agreements, and how they are working out, has just been published by the Brussels-based think-tank, the Centre for European Policy Studies (CEPS), and the Europa Institut of Zurich University. Entitled *Integration without Membership*, its authors are Marius Vahl and Nina Grolimund.

Their overall verdict is that – so far – they are working smoothly with a minimum of disputes, only one of which, concerning Zurich airport under the Air transport agreement, has resulted in a reference to the European Court of Justice. Their main criticism, which is shared both by EU and Swiss officials, is that the control function, exercised by 16 different joint committees is an unwieldy one, and will get more so as further agreements are negotiated.

Some kind of over-arching authority is clearly needed, but the authors found no consensus on what form it should take. Whatever institutional changes are made, however, will not remove the major handicap from the Swiss point of view: that they are committing themselves to the adoption of policies – within the areas covered by the agreements – which they can have no part in shaping.

That problem could only be solved by full membership – and this would mean surmounting the hurdle of the Swiss custom of referring all important (and many more trivial) decisions to referenda. The recent experience has been quite encouraging – with all three referenda occasioned by the sectoral agreements being approved - most recently that extending the free movement of persons to the new EU member states in Central and Eastern Europe.

Yet the biggest obstacle is represented by the rule that popular majorities must also be accompanied by a majority of cantons. In the EEA referendum, in 1992, the voters said no by only the slenderest of margins – 0.6 per cent. Sixteen out of the twenty-six cantons, however, returned a negative verdict.

It will only be when the small, German-speaking rural cantons – like Obwalden and Innerrhoden - become as Europe-minded as Geneva, Lausanne and Berne that EU membership will become a realistic option. In the fullness of time, that may well happen, but almost certainly not before the other EFTA states – Norway and Iceland – have finally decided to take the plunge.

- *Dick Leonard is author of* The Economist Guide to the European Union.