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The Federal Council

Berne, 21 February 2018

The economic and financial effects of the Schengen/Dublin association

Summary of the Federal Council's report in response to postulate 15.3896 of the Social Democratic parliamentary group

Summary

Background information and approach

In response to postulate 15.3896 of the Social Democratic parliamentary group, 'Economic benefits of the Schengen partnership', the Federal Council submits this report. As the postulate states, the economic and financial implications of Schengen/Dublin for Switzerland have not yet been the subject of extensive research. With the present report, the Federal Council intends to fill this gap and assess the Schengen/Dublin association from an economic and financial perspective. The report was prepared by the Federal Department of Foreign Affairs (FDFA). The FDFA was supported by an advisory group consisting of representatives from various federal offices. In order to determine the economic impact of Schengen/Dublin, the consultancy and research bureau Ecoplan AG (hereinafter referred to as Ecoplan) was commissioned through a public tendering procedure to prepare a corresponding economic study, the results of which are presented in this report. The data concerning the financial impact of Schengen/Dublin were collected internally by the Federal Administration. The report is divided into three parts: first, the legal and content framework is defined for a 'Switzerland without Schengen/Dublin' scenario; subsequently, the second part describes the economic implications of Schengen/Dublin, while the third deals with the financial impact of Schengen/Dublin on the public sector.

Part I: The 'Switzerland without Schengen/Dublin' scenario

In order to estimate the economic and financial impact of Schengen/Dublin, two scenarios were compared: the 'baseline scenario' is based on the status quo, i.e. the Schengen and Dublin association agreements are applied as they are today. In the 'Switzerland without Schengen/Dublin' scenario, Switzerland no longer participates in the EU's Schengen/Dublin cooperation. The definition of the 'Switzerland without Schengen/Dublin' scenario necessarily involves hypothetical assumptions. A comparison with the situation before 2008, when Switzerland did not yet participate in Schengen/ Dublin, does not make sense, as Schengen cooperation has developed substantially since Switzerland joined.

While the legal situation is clear – the entire Schengen/Dublin acquis would cease to be applicable and the Swiss border would be an external Schengen border from the EU's perspective – this begs the question of what the actual impact would be of leaving Schengen/Dublin. It is true to say that Switzerland's neighbours have a fundamental vested interest in keeping border traffic as fluid as possible, despite the need for systematic border controls. Nevertheless, their room for manoeuvre would be severely limited, owing to existing legislation on border protection and the security and domestic risks associated with non-compliant controls in times of a heightened terrorist threat. It must therefore be assumed that there would in any case be regular tailbacks and waiting times when crossing the border. How serious these effects would ultimately be depends on the resources the neighbouring countries are willing to invest in carrying out these controls. In order to take this aspect into account, various scenarios were used in this report and the possible economic impacts were formulated as ranges. The report makes no assumptions about hypothetical negotiated solutions for facilitated border controls at Switzerland's national borders.

Part II: The economic effects of Schengen/Dublin

Based on a comparison of the baseline scenario ('Switzerland with Schengen/Dublin') with the 'Switzerland without Schengen/Dublin' scenario, in its study Ecoplan examined the economic effects of abandoning the Schengen and Dublin association agreements for the period from 2016 to 2030. The greatest economic impact can be seen in the areas of border control and visas: the systematic border controls that the neighbouring states would have to carry out at the new Schengen external border with Switzerland would lead to significant waiting times and congestion at border crossings, and the abandonment by Switzerland of the Schengen visa would mean additional visas for travellers from countries requiring a visa to travel to Switzerland, with corresponding consequences for Switzerland as a centre of tourism, trade and science.

Systematic border controls lead to waiting times and tailbacks at border crossings

More than 1.7 million people and 1.2 million vehicles cross the Swiss border every day. The cross-border traffic is characterised by significant morning and evening peaks. If Switzerland abandons the Schengen Association Agreement, the neighbouring states would have to subject all of these persons to Schengen-compliant border controls. The introduction of such systematic controls would tie up enormous resources and would inevitably lead to waiting times and congestion at border crossings. Ecoplan's study has calculated various implementation options for systematic border controls by neighbouring countries, in which they invest varying amounts of resources in systematic border control. Assessments were made on the capacity to cope with the resulting border traffic, the waiting times and the reaction of cross-border commuters to this border traffic congestion. Tailbacks at the border cannot be avoided in any scenario, especially at peak times. The longer the waiting time per person at the border and the more people affected by the congestion, the higher the cumulative congestion time (from 204,000 to 448,000 hours per working day). This congestion would cost between CHF 1.5 and 3.2 billion and would make it more difficult to recruit skilled workers, especially for companies in the border regions. The decrease in the number of cross-border commuters is projected to be between 27% and 62%, depending on the implementation variants. The Ecoplan study assumes that some of the cross-border commuters who no longer wish to commute to Switzerland because of the long waiting times at the borders would move to Switzerland.

Abandoning the Schengen visa leads to a decline in tourist demand

As regards visas, abandoning the Schengen Association Agreement will make it more complicated and expensive for travellers requiring visas to visit Europe if they want to enter Switzerland. On the one hand, the Schengen visa would no longer be valid for Switzerland, so an additional visa for Switzerland would have to be applied for, entailing additional outlay in terms of time, effort and money. At the same time, obtaining a Swiss visa would become more complicated, as without Schengen there would be fewer visa application offices. Without Schengen, it would no longer be possible to enter into agreements with other Schengen countries' representations, and cooperation with external service providers (ESPs) as it exists today would only be possible to a limited extent. The latter is due in particular to the fact that, from an economic point of view, Switzerland would be likely to lose its attractiveness for ESPs, as a Swiss visa would no longer allow access to the entire Schengen area and would thus attract less interest from potential visa customers (and thus also from ESP customers). These complications would generally affect all travellers requiring visas, especially those wishing to visit several destinations in Europe as part of a single trip. The extra financial and administrative cost involved in applying for the additional visa would act as an inhibiting factor and a competitive disadvantage for Swiss tourism, leading to a decline in tourist demand from countries requiring visas. Depending on the implementation variant and various assumptions, by 2030 the number of visas issued to travellers from countries requiring visas could decline by 15% to 40% in the segment of those visiting more than one country alone, which corresponds to around 370,000 to 1 million tourists per year. This would lead to a decline in tourism demand of CHF 200 to 530 million from the affected countries requiring visas. In addition, Switzerland's attractiveness as a business and science location and as the headquarters of international organisations would also be impaired.

The impact on the economy

For the year 2030, abandoning the Schengen/Dublin association agreements would result in an annual loss of income for the Swiss economy of between CHF 4.7 and 10.7 billion, depending on the calculated variant, which corresponds to a 1.6% to 3.7% reduction in GDP. Imports would fall by 1.6% to 3.7%, exports by 2.4% to 5.6%. These results show what the overall impact on Switzerland would be. However, the impact of border controls would be most felt in those border regions which have a high number of border crossings. These include in particular the regions of Basel, Geneva and Ticino. Accordingly, effects exceeding the average would be expected in those regions. On the other hand, abandoning the Schengen visa would have a particular impact on those parts of Switzerland that rely heavily on travellers from countries subject to visa requirements (especially China, India, Russia and the Arab world). This would most likely affect premium destinations such as the Jungfrau region, Zermatt, central Switzerland and the larger Swiss cities.

Ecoplan's study did not quantify all the economically relevant effects of leaving Schengen/Dublin. The quantified effects thus do not show the full extent of the economic consequences of abandoning the Schengen Association Agreement (e.g. gaps in security due to more difficult police cooperation, the effects of abandoning the Schengen visa on International Geneva, Switzerland's attractiveness as a location for science and business).

Part III: The financial effects of Schengen/Dublin

In order to calculate the financial impact of Schengen/Dublin on the public sector, all Schengen/Dublin-related costs and savings were collected and compared for a reference period covering the five years from 2012 to 2016. In addition, an analysis was done of the costs that could be incurred in an attempt to at least partially close the gaps (e.g. in the area of domestic security) arising from the abandonment of Schengen/Dublin.

Costs and savings with the Schengen/Dublin Association Agreement

Schengen has financial implications for Switzerland primarily in the following areas: border control, visas and police cooperation. In addition, the areas of data protection, weapons law and drug policy are also affected to a lesser extent, and Switzerland makes various cross-cutting contributions, for example to the European IT agency eu-LISA. As regards Schengen, Switzerland's association led to average extra costs of around CHF 53 million per year in the reporting period. These costs were mainly incurred as a result of the operation of the SIS and VIS databases and Switzerland's participation in Frontex and the External Borders Fund.

Dublin, on the other hand, enables Switzerland to make substantial savings in the area of asylum. These savings result from the fact that Switzerland transfers significantly more people to other Dublin states than it takes from them. In the period under review, the average savings amounted to around CHF 270 million per year, thus exceeding the Schengen-related costs incurred in the same period by several times. Without the Dublin Association Agreement, Switzerland would have been responsible for examining the substance of these asylum applications and a significant proportion of these asylum seekers would have remained in Switzerland in the longer term. If Switzerland were to withdraw from the Dublin system, any asylum seeker whose application was rejected in a Dublin area state could also apply for asylum in Switzerland. This would have to be examined by Switzerland as part of the ordinary asylum procedure. Depending on the number of additional second applications received, this would incur additional costs in the order of CHF 109 million to CHF 1.1 billion per year.

Taking into account all of the above, withdrawing from the Schengen/Dublin association agreements would result in additional annual costs for Switzerland of around CHF 220 million per year.

Additional costs in the area of internal security without Schengen

The absence of Schengen instruments in the area of police cooperation would also lead to a substantial gap in terms of internal security, as Switzerland would no longer have access to the data of the SIS wanted/missing persons system, the VIS visa database or the Eurodac fingerprint database. This would lower the quality of border controls, but also of police checks on individuals. Combating terrorism would also be affected, as in that area there is also an increasing shift towards automated data exchange, for example via Europol. Even though abandoning the Schengen instruments could only be compensated for to a limited extent, attempts would nonetheless have to be made to ensure the highest possible level of internal security. This would mean additional measures in the area of security, for example increasing police numbers in the cantonal police forces in order to boost the police presence in the towns and communes, greater use of video surveillance systems or expanding the Border Guard and/or intelligence services, all of which would have corresponding cost implications. Such measures could easily entail additional annual costs of CHF 400 to 500 million. According to estimates, the introduction of systematic border controls at the Swiss border would cost around CHF 1.5 billion per year, whereby the effectiveness of controls would be limited owing to the lack of access to the Schengen databases.

Positive economic and financial conclusion

As the report shows, Switzerland benefits economically and financially from its association with Schengen/Dublin. Abandoning the two association agreements would have a clearly negative impact on Switzerland's future economic development and would entail significant additional costs for the public sector.

The benefits of Schengen/Dublin go beyond purely monetary aspects: the fact that the borders between Switzerland and the neighbouring countries can be crossed practically anywhere and at any time without hindrance thanks to Schengen means that the urban border regions have grown even closer together in recent years. For Switzerland, this means that in metropolitan regions such as Geneva and Basel, living and economic environments have emerged that straddle two or respectively three different countries. Abandoning Schengen would mean that these environments would once again be more restricted to behind Switzerland's national borders.

Schengen/Dublin also offer added value in terms of internal security, which cannot be measured in mere monetary terms: as part of the European security area, Switzerland benefits from the interconnectedness of the Schengen states, the automatic exchange of data with all Schengen states and integration in the SIS wanted/missing persons system. Past experience has shown that the key to success lies not in purely national measures but in greater cooperation. Schengen has proved to be an indispensable tool in the fight against terrorism and transnational organised crime.

Link to the report (German, French, Italian) and the study (German):

www.fdfa.admin.ch/europe/schengen_reports