

## **Switzerland since 1989**

The end of the Cold War and various globalisation processes rapidly and lastingly changed the economic and foreign policy landscape. On the economic front, Switzerland responded with flexibility, focusing on its strengths in the service sector and securing a very strong global position even in the wake of the international downturns and crises of 1991, 2001, and 2008.

In the foreign policy arena, supranational regulations and organisations rapidly gained in importance. In Switzerland's immediate environment, this was particularly evident in the rapid expansion of the European Union (EU, formerly the EEC), which has grown from 12 member states in 1992 to 28 today.

In these circumstances, Switzerland carefully watered-down its policy of neutrality and opened itself towards a number of international initiatives, but kept the EU at arm's length. Contentious debates over Switzerland's policy on the EU contributed to the rapid rise of the national-conservative Swiss People's Party (SVP), which became the strongest party by far at the beginning of the 21<sup>st</sup> century. The concordance government – and its “magic formula” – adjusted to this development with some difficulty.

### **Shifts in the domestic political landscape**

In Switzerland as elsewhere, the fall of the Berlin Wall in November 1989 unsettled a number of certainties that had prevailed during the Cold War. The popular vote on an initiative to abolish the Swiss armed forces was emblematic of this. Although the initiative was rejected by a clear margin in the autumn of 1989, it achieved an unexpectedly impressive showing. In the years that followed, there were continuous efforts to reform the armed forces in response to a changed international environment and reduced financial resources, including the introduction of the civilian service and the “Armed Forces 95”, “Armed Forces XXI”, and “Armed Forces Development” projects.

Already in early 1989, the resignation of Elisabeth Kopp, the first woman in the Federal Council, shook the political landscape. A parliamentary inquiry into this case triggered a political scandal that came to be known as the “Files Affair” after it was revealed that the authorities had snooped on hundreds of thousands of Swiss citizens during the Cold War.

From the 1990s onwards, the parties of the centre that had long dominated Swiss politics – the FDP and CVP – obtained a smaller share of the vote with each election. The SVP, meanwhile, steadily increased its electoral share by moving sharply to the right on a national-conservative, free-market platform. In doing so, it also absorbed single-issue parties such as the Swiss Democratic Party and the Swiss Car Party.

The SVP emerged as the biggest party from the 2003 National Council elections. As a result, in December 2003 it secured, with the support of the FDP, a second seat in the Federal Council at the expense of the CVP. However, in 2007 the United Federal Assembly elected a politician from the moderate wing of the SVP to occupy this second seat. This was followed by a number of expulsions and resignations from the SVP that led to the creation of a new centre-right party, the Conservative Democratic Party (BDP).

In 2011 it was confirmed that the national government was to be composed of two members of the Socialist Party of Switzerland (SP), two members of the FDP, one member of the CVP, one member of the SVP, and one member of the BDP. Besides the BDP, a new party established itself in Parliament, the Green Liberal Party of Switzerland, after members of the moderate-conservative wing had split off from the Greens.

Ruth Dreifuss, the second woman to have been elected to the Federal Council (in 1993) became the first woman to be elected President of the Federal Council and thereby of the Confederation in 1999. In the following years, the gender ratio changed rapidly: for a brief period from 2010 to 2011, four female federal councillors even constituted the majority of the seven-seat Federal Council.

## **Structural change and cyclical economic trends**

Switzerland was profoundly shaped by industry in the 20<sup>th</sup> century. Starting with the world economic crisis of the 1970s, however, Switzerland experienced periods of de-industrialisation punctuated by crises. Mergers at the national and international level resulted in restructurings and plant closures on the one hand and in innovation on the other (e.g. Swatch).

In the autumn of 2001, an emblem of the Swiss economy – Swissair – went under having become insolvent. The airline had been only partially able to participate in the liberalised European air transport market and had pursued an expansion strategy that ended in failure. A successor airline, Swiss, was founded in 2002 with state support, and was sold to the German national carrier Lufthansa in 2007.

While the industrial sector became less important, the service sector grew sharply, employing almost two thirds of the labour force by 2010. Besides trade, the hotel and restaurant industry, transport, public administration, education and healthcare, services were particularly significant for companies with global operations and for the Swiss financial centre.

Crises and growing international interconnectedness also led to mergers in the financial sector. The two major Swiss banks (UBS and Credit Suisse) that remained in business after 1998 became more vulnerable to changes in overseas markets, not least because of their acquisitions of American banks. In 2008 UBS had to be kept from going under by the Swiss federal government and the Swiss National Bank. Furthermore, questionable business practices led to conflicts with foreign legal systems, in particular over the issue of banking secrecy. The Swiss federal authorities, which had to intervene with financial measures, diplomacy and legislation got the banks to commit to a “clean money” strategy in 2012 and have since then attempted to find comprehensive solutions to tax problems through bilateral agreements.

## **New foreign policy objectives**

From 1989 onwards, Switzerland took a more flexible approach to its political and military neutrality, as this policy was increasingly at odds with its integration in the world economy. For example, on the basis of UN resolutions or EU measures, Switzerland participated in economic sanctions against Iraq, Syria and Libya and granted NATO the right to fly over its territory during the Bosnian conflict and the Libya and Mali missions. Since 1996 Switzerland has been a member of the Partnership for Peace launched by NATO in 1994 after the fall of the Iron Curtain. In 1996 and 2014 Switzerland chaired the Organization for Security and Co-operation in Europe (OSCE), which succeeded the Conference for Security and Cooperation (CSCE).

In a 2002 popular vote, a narrow majority voted to join the UN. Participation and membership in formally apolitical organisations such as the World Trade Organization (WTO) is domestically less controversial. The majority of Swiss people think that to meet the growing regulatory requirements of a globalised political and economic order bilateral agreements are preferable to supranational obligations.

## Switzerland in Europe

When the European Union (EU) was established by the Maastricht Treaty in 1992, Switzerland and the other EFTA states were invited to exercise the four basic freedoms of the EU single market within the European Economic Area (EEA): the free movement of goods, services, persons and capital. At the end of 1992, however, the Swiss people and the cantons rejected the EEA by a narrow but clear majority.

Since then, Switzerland's relationship with the EU has been regulated by bilateral agreements on the one hand and by what is known as "autonomous adoption", that is to say the adoption of those pieces of EU legislation that are necessary for participation in the European internal market, on the other. The first package of agreements of 1999, Bilaterals I, gradually opened labour markets (free movements of persons), liberalised road and air transport, removed technical barriers to trade, regulated public procurement and simplified trade in certain agricultural products. It also facilitated the strengthening of research cooperation. The Bilaterals II of 2004 extended cooperation to other important areas, such as the environment, education, taxes, statistics, and combating fraud. Participation in the Schengen and Dublin agreements, which intensified cooperation on security and asylum matters, was the only controversial area of cooperation but was nonetheless approved in a referendum in 2005 and took effect at the end of 2008.

Popular votes also produced majorities in favour of the extension of the free movement of persons to new members of the EU and of contributions for the eastward enlargement of the EU. A clear majority of the population, however, was and remains opposed to Switzerland joining the EU. This is partly due to the fact that Switzerland weathered the financial and debt crisis that began in 2007 relatively well. In September 2011, the Swiss National Bank successfully stopped the appreciation of the Swiss franc. The euro crisis had pushed up the value of the franc, threatening the export industry and tourism.

In the 1980s, the proportion of foreign nationals in the Swiss population began to grow again, a trend that was furthered by a very guarded naturalisation policy and, from 2002 onwards, by the bilateral agreements with the EU. A booming economy encouraged the immigration of for the most part skilled labour from the EU. In 2014 the share of foreign nationals in Switzerland's resident population was about 24%. This was one of the reasons why the Swiss electorate has repeatedly distanced itself from foreign nationals and foreign institutions in recent years and has approved hotly debated initiatives that are potentially in conflict with international law and the bilateral agreements with the EU. Cases in point are the initiative to ban minarets (2009), the expulsion initiative (2010) and the mass immigration initiative that was adopted in 2014 to limit the rapidly growing share of foreign nationals in the population. However, the Ecopop initiative, which aimed to limit net annual immigration to 0.2% of Switzerland's resident population, was rejected by a clear margin at the end of 2014.