

## **Switzerland since 1989**

The end of the Cold War and various globalisation processes rapidly and permanently 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, for example.

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 27 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 – the seven seats on the Federal Council that had always been shared between the major parties in the same way since 1959 – 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 participation by women.

Already in early 1989, the forced resignation of Elisabeth Kopp, the first woman elected to 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.

In 1999, a new Federal Constitution was adopted and the first female president (Ruth Dreifuss) was elected.

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. The SVP emerged as the biggest party from the 2003 National Council elections, securing a second seat on the Federal Council.

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

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. A successor airline, Swiss, was founded in 2002 with state support, and was sold to the German national carrier Lufthansa in 2007. Rail transport, on the other hand, gained in importance with the New Rail Link through the Alps (NRLA) and its three base tunnels (Gotthard, Lötschberg and Ceneri), shortening travel times through the Alps considerably and forming the heart of the rail freight corridor between Rotterdam and Genoa.

While the industrial sector became less important, the service sector grew sharply over the last few decades, employing almost two thirds of the labour force.

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, which has been partially eliminated. The Swiss federal authorities 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 movement 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.