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1 PURPOSE AND STRUCTURE OF THE 1999 INTEGRATION REPORT

2 Purpose

The purpose of this report is to provide a reasoned, objective and readily understandable basis for the debate about integration. The Federal Council must then decide whether domestic political conditions are such as to allow accession negotiations to be opened. The fundamentals for this extensive debate would be incomplete if the different alternatives, other than the
advantages and drawbacks of EU accession as such, for Swiss policy in relation to the EU were not also considered (conclusion of sectoral agreements, EEA membership and various forms of going it alone).

In addition to this analysis, reference will also be made to possible internal measures that might be envisaged in the event of EU accession. On the other hand, this report does not set out a statement in favour of Swiss EU accession, nor does it constitute an integration policy action plan of the Swiss Government. The decision on the time at which the EU accession application may be reactivated will not be taken by the Federal Council solely in the light of the integration debate, but also having regard to the state of the procedure put in hand for ratification of the outcomes of the sectoral negotiations. Consultations, especially with the cantons, will be another relevant factor. To avoid any misunderstandings or time overlaps, the Federal Council does not intend to take a decision to open accession negotiations until the procedure for ratification of the sectoral agreements has been completed. The Federal Council is working on the assumption that the authorization procedure for the sectoral agreements can be completed smoothly and without delay.

Apart from the integration report, the integration debate will also draw on other basic material, namely the explanatory statement by the Federal Council on the outcomes of the bilateral sectoral negotiations concluded at the political level in Vienna on 11 December 1998 in seven specialized areas\(^1\) and the results of studies commissioned by the Federal Council\(^2\).

The *choice of the publication date for this* integration report was determined by the heavy demand for information, delayed completion of the sectoral negotiations and the need for integration policy action, as well as the time limits fixed for consideration of the popular initiative “Yes to Europe”!\(^3\) This popular initiative, which seeks the inclusion in the Swiss Constitution of the immediate opening of EU accession negotiations, will be ready to put to the vote in at most three years time, i.e. the Federal Council will have to fix the date for the vote unless this initiative is withdrawn, e.g. because the frozen Swiss accession application of 26 May 1992 has been reactivated in the meantime.

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\(^1\) Most recently in the report on External Economic Policy 98/1+2, BBl 1999 I.

\(^2\) The following studies were commissioned (these studies will be published in a collective volume in the spring of 1999):

- **Legal studies**
  1. Investigation of the implications of accession of Switzerland to the EU on the exercise of the rights of referendum and initiative at Federal level (updated version of the opinion by Prof. D. Schindler, 1995)
  2. Investigation of the impact of accession of Switzerland to the EU on the exercise of referendum and initiative rights at cantonal level
  3. Definition of the legislative activities of the EU
  4. Resumption of work on the institutional impact of EU membership on Austria, Sweden and Finland

- **Economic studies**
  1. Short-term economic impact of alternative integration scenarios
  2. Integration in the labour market – impact of closer relations between Switzerland and the EU
  3. Long-term economic impact of alternative integration scenarios

\(^3\) The explanatory statement on the popular initiative and on the indirect counterproposal of the Federal Council was forwarded to Parliament in January 1999, BBl 1991 I.
3 Development of the Federal Council’s policy

In the past ten years, the Federal Council has published several reports on Switzerland and the process of European integration:

In the Report of 24 August 1998 on Switzerland’s position in the process of European integration, i.e. before the fall of the Berlin Wall, the Federal Council “after examining the various alternatives, reached the conclusion that Swiss integration policy must continue to follow the route taken up to now … The only decisive alternative to our previous integration policy and its development potential would be EC accession”. The 1988 report contains a historical review, which remains useful today, of integration policy developments since the Second World War (see Section 2 of the report).

In the Information report of the Federal Council on the position of Switzerland in the process of European integration dated 26 November 1990, the Federal Council cited the following main factors which, irrespective of the EEA project, would bring the subject of EC accession to greater prominence.

“- A development of the European environment which marks a complete end to the East-West conflict and paves the way for a new structured, safe and coherent European architecture

- The dominant role of the EC in this new configuration

- Further enlargements of the EC

- The strengthening of the trend for the EC to require European non-Member States to base their cooperation with it on harmonization of their own legislation with EC law

- A more distinctly federalist design of the EC and a more systematic application of the principle of subsidiarity

- A substantial strengthening of the role of the EC at world level.”

These factors have in the meantime largely become a reality.

The Report on accession of Switzerland to the European Community dated 18 May 1992, which the Federal Assembly referred back to the Federal Council in September 1992 for further consideration in conjunction with the debate on the EEA convention, explains the decision taken by the latter on 19 October 1991 “to define EC accession as the goal of our integration policy and to regard the EEA as a particularly important phase from the domestic policy angle towards the attainment of that goal”.

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4 BBl 1988 III 249, 378f
5 Not published in BBl. Separate publication, p. 66f
6 BBl 1992 III 1185.1186
In the *Explanatory statement on the programme to follow the rejection of the EEA Convention dated 24 February 1993*, the application for EC accession was maintained with the rider that “accession negotiations cannot of course be considered until the external (timetable for enlargement of the EC) and internal conditions make this possible. (…) Should the opening of negotiations on accession to the EEC prove necessary or desirable, the Federal Council will present a comprehensive report to Parliament”.

In the *Report on Swiss foreign policy in the 90s, dated 29 November 1993*, the Federal Council explained in the following terms why it regarded EU accession as a strategic goal, although no clear majority of the population seemed to support this strategy: “The Federal Council is also aware of its responsibility to set clear strategic foreign policy goals in the interest of the country. It has important reasons for adhering to the strategic goal of EU and UN accession, despite the popular decisions referred to earlier, even if it is aware that many citizens do not fully understand this need at present. (…) It therefore has a duty to promote further discussion of solutions which have been rejected by the people or are seriously contested by them if the interests of the country so demand”.

Finally, on 29 March 1995, the Federal Council presented an *interim report on Switzerland’s European integration policy* in which it stated the twofold objective of priority for closer relations with the EU in specific sectors and with its Member States as follows: “Firstly, to preserve the competitiveness of our economy and secondly, to facilitate our full and comprehensive participation in the process of European integration in due course.”

The present report has come about because of the substantial need for information following extensive external and internal policy changes in recent years. In the space of a few years, the EU has revised its “Constitution” twice (Maastricht and Amsterdam), completed Monetary Union, included internal security and policy on asylum in its spheres of responsibility, acquired three new members and opened accession negotiations with six more candidate countries.

Worldwide, the bipolar power structure has given way to a globalized policy firstly in the areas of peace-keeping, human rights, development, environmental protection, crime prevention, communication and, driven by the World Trade Organization, in respect of competition between economic locations. It is in the first place this globalization and multilateral development which has diminished national freedom of action, i.e. sovereignty, and will continue to do so in future. The 1993 foreign policy report of the Federal Council for instance made it clear that losses of sovereignty by Switzerland were connected less with the matter of EU accession than with the irresistible process of globalization.

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7 BBl 1993 I 805, 817
8 BBl 1994 I 153, 196
9 BBl 1995 III 191, 209
Against the background of these developments, the euro-compatibility of the legal order has been systematically implemented in Switzerland, steps taken towards liberalization of the domestic economy\textsuperscript{10} and important votes held on integration policy\textsuperscript{11}

11 Structure and principles

Apart from this introduction (Chapter 1) and the conclusions (Chapter 4), the report consists of two main parts:

Chapter 2 gives a systematic overview of the implications of the policies and programmes of the EU and of the four freedoms of the EC internal market on Switzerland in the event of EU accession, EEA membership, entry into force of the sectoral conventions and continuation of the existing situation. EC law is in general only presented to the extent that changes or additions have occurred since the EEA explanatory statement was presented on 18 May 1992\textsuperscript{12}. Development prospects in the EU and in Switzerland are taken into account.

In the light of central topics of State, economic, external and security policy, Chapter 3 seeks to give an overview of the implications of the sectoral route, EEA participation, different forms of going it alone and EU accession. The questions put by citizens and the brief answers to them set out in this chapter fit in with the Swiss culture of genuine discussion and are intended to help people who have no specialized knowledge of integration to understand the subject more easily. Chapter 3 also draws attention to possible internal measures that might be taken in the event of EU accession.

The report describes the legal, political and economic situation prevailing at the end of 1998/early 1999. The Swiss legal situation and policies as they exist today are outlined. Statements on future developments are made in cases where these can already be predicted. Developments within the EU are taken into account to the extent that reliable predictions are possible (for instance on enlargement, the new financial regulations etc.). The main material changes in the EU resulting from the Treaty of Amsterdam signed on 2 October 1997 are also described in the report. That Treaty is likely to take effect in 1999.

In the economic policy area in particular, a number of assumptions had to be made. The model assumptions do not imply any political statements.

1 PRESENTATION OF THE SITUATION IN THE EUROPEAN UNION AND IN SWITZERLAND: COMPARATIVE ANALYSIS OF POSSIBLE IMPLICATIONS

\textsuperscript{10} Internal market law, cartel law, law on technical barriers to trade, reform of public procurement systems in the Federation and in the cantons, agricultural reform, opening of the infrastructural markets (air, rail, telecommunications, post, electricity), introduction of value added tax.

\textsuperscript{11} Vote on the popular initiative on “EU accession negotiations: let the people have their say”, withdrawal of the popular initiative “For our future in the heart of Europe” (EEA 2 project), vote on the LSVA motion, Finôv vote (see Section 312.03).

\textsuperscript{12} BBl 1992 IV.1
2 INSTRUMENTS OF RELATIONS BETWEEN SWITZERLAND AND THE EU AS COMPARED WITH EU ACCESSION

31 BACKGROUND CONDITIONS FOR SECTORAL AGREEMENTS, EEA PARTICIPATION, THE DIFFERENT WAYS OF “GOING IT ALONE” AND EU ACCESSION

(for the record, historical retrospective and integration policy of the Federal Council).

32 INTEGRATION POLICY INSTRUMENTS FALLING SHORT OF ACTUAL ACCESSION

321 Conclusion of sectoral agreements

The successful outcome of the bilateral sectoral negotiations on 11 December 1998 showed that the sectoral approach can bring success in certain areas, provided that it is in the interest of both sides. The Federal Council therefore sees no reason why further sectoral conventions should not be concluded with the European Union in so far as they are in the balanced interest of both sides and can be completed within a reasonable time limit. Agreements in specific sectors are certainly valuable and are therefore in part supported by those forces in Switzerland which take a sceptical view of multilateral integration of Switzerland into the European institutions or reject that possibility altogether. But the forces which, like the Federal Council, favour accession to the European Union also support such agreements because these conventions are valuable in themselves and constitute necessary steps in the direction which the Federal Council considers to be correct.

The history of the negotiations which lasted for four years brought the following facts to light. One advantage of the sectoral route is that, in the choice of the subjects for negotiation, Switzerland has an equal say with the EU while the implementation and application of the conventions takes place autonomously in Switzerland and the direct costs remain low. This is because contributions to the budget of the European Union only have to be paid in certain specific instances (for example for research).

The following arguments militate against the sectoral route as a long-term instrument of Swiss integration policy:

13 A political analysis of the bilateral sectoral negotiations on which the political discussion was completed on 11 December 1998 will be contained in the relevant explanatory statement.
The EU shows great reluctance to choose further negotiating areas because of its own diverse internal interests. Negotiations can only be conducted on matters, which are of some interest to all fifteen Member States.

The length and complexity of the negotiations are considerable because of the special circumstances prevailing in the EU. With fifteen Member States the EU has achieved a degree of complexity which makes sectoral approaches difficult. Whenever one specific problem is examined (e.g. freedom of movement for persons), new imbalances of interests may arise between the EU Member States which in turn have to be compensated by concessions in other areas (such as agriculture). The systematic absence of Switzerland from meetings between the fifteen EU States makes it difficult to effectively clear up real or imaginary misunderstandings as to Swiss positions in due time.

There are also institutional barriers to the completion of further sectoral treaties: on central matters of mutual interest, a treaty solution could only be arrived at if Switzerland were to transfer sovereign rights to the EU and, in particular, acknowledge the supreme judicial authority of the EU Court of Justice and the legislative and political majority decisions of the Council of Ministers. These matters, which cannot be settled by sectoral treaties but only by EU accession, include e.g. the elimination of the customs union frontiers for the trade in goods, comprehensive cooperation on internal security on a basis of parity, institutional safeguards for monetary and exchange rate stability and membership of economic treaties between the EU and other regions of the world (Nafta, Mercosur, Apec, Mediterranean region etc.).

A negative counterweight to the acceptability of sectoral agreements in terms of sovereignty is the circumstance that an adjustment of the treaties to changing circumstances (for instance progress in technical criteria for products or in environmental protection legislation) may be a cumbersome process, especially if parliamentary approval of the treaty change is necessary in all fifteen EU States.

The Federal Council has made a thorough identification of the sectoral route in the past four years and will continue on this road jointly with the European Union to the extent that this is possible and both parties have an interest in doing so (entry into force of the sectoral conventions; in addition, modernization of the rules on free trade in food industry products, membership of Europol, negotiations on a parallel agreement to the Dublin Convention on Initial Asylum Seekers, Swiss participation in EU programmes, e.g. in education, film, promotion, statistics and environmental monitoring). On the other hand, the Federal Council is well aware that the limits in terms of content and procedures for sectoral agreements between Switzerland and the European Union will soon have been reached.

322 EEA participation

Swiss membership of EEA as compared to EU accession is facilitated by the limited implications in terms of formal constitutional policy and lower costs.
As compared to EU accession, the need for adaptation in agriculture would not exist; there would be no need to change our financial regulations (no acceptance of the EU minimum value added tax), while adaptations to comply with the conditions of Economic and Monetary Union would also not be necessary.

In the event of an unsuccessful outcome to the ratification procedure for the sectoral conventions, the EEA would be of interest in terms of its content (the four freedoms); the solutions which remain to be negotiated in all areas, in particular in national transport and social insurance law would be much the same for Switzerland as the solutions arrived at in the sectoral conventions concluded at political level on 11 December 1998.

However, factors against participation in EEA, even as an intermediate step to EU accession, include institutional weaknesses and shortcomings in terms of content (no customs union or common foreign trade policy, no common agricultural policy, no full rights of codecision), the obligation of the EFTA countries to speak with a single voice and the circumstance that the EEA increasingly fails to cover important areas which will play a vital role in the European future of Switzerland (monetary stability, policy on asylum seekers, internal security, external policy).

The opinion that is sometimes voiced to the effect that the relationship between Switzerland and the EU might be permanently governed by an association treaty going beyond the content of the EEA Convention and specifically tailored to suit Switzerland would presuppose a willingness of the EU to negotiate in that sense and fails to recognize the fact that only EU Member States can exercise rights of codecision.

### 323 Switzerland remains outside

The continuation of the existing pragmatic policy of small steps with all its known advantages and drawbacks is less an integration policy option as far as the Federal Council is concerned, than the expression of a reality which remains valid until the policy change which the Council seeks finally comes about.

On the other hand, measures to shadow EU policies or the maintenance of an offshore position are not integration policy instruments which the Federal Council is examining in more detail at this juncture. The declared systematic and unilateral shadowing of legal developments in the EU would be politically dubious and economically risky as Switzerland would constantly have to make unilateral contributions if it adopted this approach. The offshore policy would result in a fundamental change in the economic and social situation of the country from which a few people might profit greatly, but would cause the nation as a whole to lose its present character. Mixed forms of the policy of remaining in isolation would repeatedly come into conflict with the constitutional and economic policy deficits referred to earlier.

### 31 EU ACCESSION

### 331 Issues and goals
(for the record, accession procedure and objectives of Switzerland as an EU Member).

**332 Identity, independence, federalism and people’s rights**

In the area of federalism, the cantons would have to cooperate in decision-making in all matters of relevance to them, which are discussed and decided in the EU. The Federal and cantonal Authorities would conduct an in-depth dialogue on appropriate measures in the run-up to EU accession. The main emphasis would be on measures to strengthen information for the cantons, improve cantonal consultation in preparation for decisions and ensure suitable representation of the cantons in some EU bodies.

The *regional policy* of the Federal Council could be continued as at present and adjusted still more effectively than is the case today to Swiss needs through cooperation within the EU.

Accession of Switzerland to the European Union would be compatible with the *Federal Constitution*. Article 89 of the Federal Constitution, which requires a popular and cantonal majority for such a decision, was revised in 1977 precisely with a view to EU accession.\(^{14}\)

Clearly, the fifteen Member States of the EU have retained their sovereignty. As an EU Member, Switzerland would have an opportunity to influence and help to shape the rules which are applied on an ever-growing part of our continent. Given the central geographical, demographic, political and economic values of Switzerland and the EU, for many years now, Switzerland has no longer been able to escape the growing influence of EU decisions. *Accession* would in fact strengthen Switzerland’s independence firstly by enabling the country to take part in decisions which concern it (it might adopt a joint approach with other Member States, depending on the circumstances and needs) and secondly because it could benefit from the substantial weight of the EU if efforts were made to exercise pressure on Switzerland.

If Switzerland became part of the EU, the Swiss people and possibly also the cantons could continue to exercise the people’s rights embodied in the Federal Constitution (referendum, initiative). As the Council of Ministers stressed in an answer to a parliamentary question on the compatibility of national referenda with the Community treaties,\(^{15}\) the organization of referenda is an exclusive preserve of the respective constitutional orders of the Member States. However, the outcome of a referendum must not be allowed to influence obligations arising under the treaties establishing the Communities. Studies by various Swiss universities have shown that, had Switzerland already been an EU Member since 1993, the number of concrete conflicts between Community law and referendum proposals at either Federal level or voting procedures at cantonal level would have been very small.

In 1991 – in the context of the EEA negotiations and also with a view to possible EU accession – the Federal Assembly adopted a statutory provision permitting the participation of Parliament in the area of external policy.\(^{16}\) On this basis, the Federal Council would, in the event of EU accession, be able to conduct an in-depth dialogue with the Swiss authorities on appropriate measures in connection with EU accession. The main emphasis would be on measures to strengthen information for the cantons, improve cantonal consultation in preparation for decisions and ensure suitable representation of the cantons in some EU bodies.

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\(^{14}\) BBl 1974 II 1333

\(^{15}\) Written question No. 147/87 of 9 April 1987, OJ No. C212 of 10 August 1987, P.54

\(^{16}\) Art. 47bis a Commercial Transaction Act (GVG, SR 171.11) approved by a popular vote of 27 September 1992
accession, systematically consult the Foreign Policy Committees before adopting its own position on acceptance of decisions of the Council of Ministers which would be directly applicable in Swiss law (regulations) or entail an amendment of Swiss legislation (directives). In this field too, it remains to be seen whether the existing procedures would be sufficient in the event of EU membership. At all events the Federal Council takes the view that accession would not weaken the role of Parliament or that of the cantons in our political system. The weight of the national parliaments of the EU Member States shows this to be possible.17

As to the organization of justice, Switzerland would remain autonomous in the event of accession, save that its own procedural law would not be allowed to discriminate against Community law and threaten the legal validity of the latter.

In addition, Switzerland has always been well-integrated into overall European cooperation in matters of civil and criminal law through the Hague Conference and the Council of Europe. As far as the Brussels Convention on the mutual recognition and enforcement of legal decisions of 1968 is concerned, the parallel Lugano Convention has so far guaranteed Switzerland’s integration into the legal area. If the cooperation can be continued in its existing form, there would therefore be no significant problems for Switzerland in these domains.

In the Federal Council’s view, internal constitutional policy measures would have to be considered in detail in the following areas in the event of EU accession:

- measures would have to be discussed with the cantons to enable them to play an appropriate part in the definition of the Swiss negotiating position at the time when accession negotiations begin. The extent to which the cantons could enforce their right of consultation in the negotiations, especially in cases where their own competencies are concerned, would also have to be determined.

- in the area of people’s rights, concrete proposals would have to be made in an explanatory statement on EU accession, defining the instruments by which the most evident cases of conflict could be resolved. It would also be necessary to examine how the involvement of the Federal Assembly in the definition of Switzerland’s negotiating positions on European policy could be ensured.

- the organization and working methods of the Federal Council and Federal Administration would have to be reviewed.

333 Prosperity

An attempt to assess the impact of EU accession on Swiss prosperity, shows – as is hardly surprising – that only the financial costs can be effectively calculated, while the impact on economic growth, prices, interest rates, wages, tax and rents can only be estimated.

17 Cf. Section 213 A 8, footnote
This is because economics are not an exact science and economic growth depends significantly on the parameter of private initiative by entrepreneurs, which cannot be measured, and on the development of the social environment (for instance the social partnership). The situation here resembles that prevailing in any economic risk analysis. The costs which arise are relatively easy to calculate, while the loss of profit caused by the slowness to take business opportunities can only be determined by comparative study and estimates. This conclusion, which the Federal Council already reached in the run-up to the EEA vote in 1992, means that the economic arguments for or against a change of the background conditions, i.e. in this case for or against EU accession, generally strengthen scepticism. The opponents of membership are able to set a relatively precise figure to the cost of the changes (e.g. an annual net payment to the EC budget of around 3 billion francs), while the advocates of liberal background conditions are only able to show trends, expectations and comparative values.

That being so, the following summary conclusions can be put forward:

- within the EU, and even within the same linguistic area, there are no significant population migrations;

- wage differences remain considerable and effective action to prevent abusive social dumping remains possible in the EU;

- thanks to EU accession, future economic growth would tend to be higher although this growth would also depend significantly on other factors such as internal reforms;

- in the present state of our knowledge, it can be assumed that EU accession would exceed the benefits of an EEA solution, even if the net transfer to the EU in the event of accession must be taken into account in this comparison

- the initial adaptation costs must therefore be seen against a more sustained and enhanced economic dynamic

- the loss of monetary policy independence means that monetary policy can no longer build on a different economic development; other mechanisms of adaptation, such as flexible prices and wages, would also be needed

- the adaptation requirements – adjustment to the real interest rates prevailing in Europe or agricultural measures – must not be underestimated

- preparatory and accompanying steps must therefore be decided and transitional periods stipulated in the negotiations at domestic level

- the inevitable conversion of State revenue and spending would of course also constitute a complex political venture. The proposals would obviously have to satisfy the following conditions:
- annual net payments to the EU would be financed by additional revenue from the indispensable increase in the standard rate of VAT which would in turn bring higher state revenue

- the attractiveness of Switzerland as a business location from the tax angle could only be safeguarded by extensive compensation of the higher rate of VAT in other areas, such as income tax and social security contributions

- the conversion of the tax system would have to be economically acceptable and viable in terms of social compatibility.

In principle, it must be remembered that accession cannot be seen as the panacea for all our economic problems. But it would be equally misguided to suppose that strictly internal measures could offset the economic drawbacks of standing aside from integration policy. Economic dynamism is particularly likely if an outward-looking economic policy goes hand in hand with continued internal reform.

In the welfare sector, the Federal Council would make a further study of the following internal measures in event of accession:

- Action already existing in the draft stage to prevent social and wage dumping. These measures have been drawn up by a working group with the participation of the social partners and will shortly be laid open to consultation by the Federal Council to enable preparations for implementation of negotiated solutions to be put in hand in the framework of the sectoral conventions in Switzerland

- In the area of agricultural policy, the steps already taken by the Federal Council to improve competitiveness will be continued; measures must also be verified to compensate the inevitable structural adaptations

- The conversion of the Swiss tax system which will be rendered necessary by possible EU accession and the efforts to coordinate financial policy more effectively with a view to compliance with the Maastricht criteria at the different policy levels in Switzerland, including social insurance, would be a matter for consideration by the political system in Switzerland in the next few years. The Federal Council has in mind to approach the question of compensation of additional revenue from the higher rate of VAT on the occasion of the renewal of the financial regulation, which expires in the year 2006. Decisive criteria for the measures to be chosen would be economic and social compatibility and the preservation of the financial autonomy of the Federal and cantonal authorities.

331 Position in the world

There is no doubt that EU membership is legally compatible with the status of permanent neutrality. With the external and security policy of the EU in its present form, Switzerland could preserve its neutrality even as an EU Member.
The question as to the preservation of our neutrality would only arise if the EU States were one day to create a common defence and security structure by a unanimous decision. As an EU Member, Switzerland would have to play an active part in the creation of such a system and would be fully involved in the decision-making process. If a European security architecture were to be created which would offer Swiss citizens at least as much security as armed neutrality, the latter might become meaningless.

In the security policy sphere, and regardless of possible EU accession, Switzerland will find it necessary to redefine some of the conditions underlying its existing policy. The Federal Council has therefore commissioned a security policy report for 1999. The reorientation of Swiss security policy will presumably entail reforms which will improve the ability of Switzerland to shape the joint external and security policy of the EU.

From the external economic policy standpoint, Switzerland could continue to defend its economic interests even after EU accession and help to shape the external trade policy of an economic world power as a Member enjoying equal rights to all the others.

332 Internal security

If Switzerland does not wish to become a bolt hole for criminals who are wanted all over Europe or a hub and logistic base for international criminal organizations acting from Switzerland – in short an island of insecurity – it must seek still closer international cooperation to counter this threat. That is also in the interest of the EU. One step in this direction consists of bilateral police cooperation treaties already negotiated with neighbouring countries or under negotiation today. The same goal is pursued by the police liaison officers stationed at certain focal points of international crime. But these instruments on their own are inadequate compensation for the institutional deficit and reduced access to information.

Whether the EU Member States will be willing, after the entry into force of the Amsterdam Treaty, to open negotiations with Switzerland on internal security cannot be predicted at this juncture. Existing experience shows that such negotiations will be difficult, time-consuming and carry a price in terms of sovereignty. It seems likely therefore that EU accession would be the best means of fully making good Switzerland’s security deficit. This could be achieved by participation of Switzerland in the Schengen information system and cooperation at Federal level by appropriate central agencies in Europol.

On the subject of asylum seekers, non-accession would have the consequence that, because of the increasingly close cooperation prevailing between the EU Member States, Switzerland might become a place of first refuge for second asylum seekers in Western Europe. That would lead to a massive increase in asylum requests and entail very high extra costs.

In the area of internal security and asylum, the Federal Council will be examining how, in the event of accession, the disappearance of Swiss border controls could be compensated by internal measures. Border controls might be replaced by controls in the area close to the frontier.
(secondary searches, as they are known). A Federal body might be set up for certain specific interventions while the staff and material resources of the cantonal police forces might be increased. An adaptation of that kind could be achieved without any fundamental change to the existing system.

333 Reasons for and against EU accession

The following compilation of advantages and drawbacks of Swiss accession to the European Union can only be a guide to help each Swiss citizen to weigh up the respective interests at his or her own individual level. Working with its own overview which focuses less on particular interests than on the overall well being of Switzerland itself, the Federal Council wishes to give guidance by highlighting the key issues in a flood of information.

The question of Swiss accession to the EU is essentially one of constitutional policy, which also has economic, population and peace policy aspects. For many European States, EU accession is the right strategy to secure lasting peace, economic prosperity and co-decision rights on matters of continental importance.

In our present state of knowledge, the costs of EU accession can be estimated at about 3.1 to 3.9 billion francs annually. This must be set against a loss of decision-making autonomy and freedom of action. Benefits of accession to Switzerland as an economic location (especially for the production of goods and tourist services) are probable in the long term, but cannot be proved at this juncture. Better education and job opportunities for our young people, researchers, cultural creators and job seekers also weigh favourably in the balance as do the mechanisms of solidarity between the Member States to resist attempts by non-European authorities to exert pressure on Switzerland. Another factor in favour of accession is that Switzerland would have to be an EU member to enjoy equal rights with the overwhelming majority of European States to seek solutions to problems and reach decisions which can best be resolved on the continental level (liberal and social internal market conditions, continental freedom of movement for persons, business ventures and ideas, effective action against crime, fair distribution of burdens in the refugee sector, worldwide representation of European basic values). This benefit must be set against the drawback that the positions represented by Switzerland on these matters may be outvoted and that some of the institutional particularities of Switzerland which are so dear to us (people’s rights, Federal balance, tax system, numerically small government) may be affected or limited and have to be adapted to the changed circumstances.

A factor in favour of early EU membership is that some important questions for our country have not yet been settled in the EU (central matters of security, tax competition, social order and EU institutional framework). Switzerland could therefore provide inputs for future decisions. On the other hand, Switzerland would have to accept the fact that most matters of crossborder economic law have already been settled in the EU and that law is made by majority voting in the remaining areas. Switzerland would of course take part in those votes. Another factor in favour of accession is that introduction of the single currency (the euro) after a transitional period which would have to be negotiated will result in lower transaction costs and put an end to the risk of harmful speculation on the Swiss franc. On the other hand, in the first instance, some painful adaptation
costs would have to be accepted, for instance in the form of higher interest and rental costs and also in the shape of wage and price reductions.

Accession would probably be conducive to a more equitable distribution of burdens in asylum policy and would also result in the disappearance of checks on persons and goods at the national border; problems of internal security would then have to be countered by effective European police cooperation (joint control of the EU’s external frontiers, Europol).

Accession to the EU would be detrimental to the extent that Switzerland, like all the other EU States, would lose its right to conclude separate trade agreements with non-European countries. On the other hand, Switzerland would profit from the economic strength of the EU which concludes such trade agreements on behalf of its Member States.

The citizens would enjoy greater legal protection as they could enforce the rights granted to them by European Community law in the ordinary courts. They would also have certain rights of appeal to the EU Court of Justice against some measures taken by European Community bodies.

Like some commercial activities and services, which have been protected so far against foreign competition, our agriculture would lose its protection in relation to the EU. The prices paid for products and services would fall. On the other hand, the means of production imported from other European countries would become cheaper and the market for Swiss high quality products would be greatly enlarged. The process of structural adaptation of Swiss agriculture will continue in any case, with or without EU accession. However, EU accession would require certain transitional periods because of the extensive adjustments necessary in agriculture. The conversion to 15% VAT would bring substantial extra revenue to the Federal Authorities (over 15 billion francs annually, disregarding the impact of any VAT increases in the context of the 11th AHV Review). Depending on the short-term economic situation, this might prove prejudicial to economic growth in Switzerland and would have to be compensated by a reduction of other State burdens on the population (such as direct taxation, social charges). The accompanying increase in the State share and the related restructuring of the Swiss tax system would lead to severe internal policy controversy.

EU accession would have no impact on the preservation of Swiss neutrality, as the examples of Finland and Austria prove. By staying neutral, Switzerland would undertake when it joins the Union to participate in the creation of a comprehensive continental security system and would ultimately gain a security margin from that system. However, it could preserve its position in situations with a critical bearing on neutrality by exercising the constructive right of abstention.

In weighing up the overall interests, the Federal Council identifies another important consideration: Swiss accession to the EU would promote national cohesion and the country’s influence beyond its borders, while the representation of State interests could be substantially improved by taking a seat on the many multilateral bodies of the European Union. The apparatus of the State and the density of regulation would hardly increase. On the contrary they would tend to diminish and the policy of openness to Europe which EU accession implies, would increase the pressure of competition and therefore promote the reforms and revitalization of national strength that are necessary internally.
The five central questions which in the Federal Council’s view will lie at the heart of the Swiss integration debate are set out below.

4. KEY QUESTIONS AND CONCLUSION

A development which is advantageous to one person may of course be detrimental to another. A new section of motorway between Aarau and Baden may be beneficial to commuters, but it might be seen as prejudicial to persons living close by this new source of noise. The same goes for most changes in the circumstances of life and certainly for the changes which would be brought about by accession to the EU and those which will in any case come about if we do not join. The changes which are beneficial or on the contrary detrimental, cannot be determined or ordered with general validity from on high but must be assessed and judged by each individual citizen in the light of his or her interests and own values. The collective interests of the country must of course also be borne in mind.

As the Federal Council pointed out in Chapter 1, the 1999 Integration Report is intended to provide a reasoned, objective and readily understandable basis for the integration debate which must be conducted in Parliament and throughout the country. The facts and expectations of further developments in the relationship between Switzerland and the EU put forward in the integration report must help to enable each individual in Switzerland to weigh up the respective interests. Conceptual and material individual interests in the matter of education, work, income, tax, freedom of movement and leisure activities will be equally important as collective interests in the matter of civil rights, internal security and external security, national identity and dignity. Political parties, associations, unions and other interest groupings will have to work out other aids to decision-making, each concentrating on the respective interests of its own members.

The sum of the decisions of all the Swiss people will be decisive on the day of the referendum for or against the accession of Switzerland to the European Union based on the rules of direct democracy.

Following the entry into force of the outcomes of the sectoral negotiations, the next significant step for integration policy will not be EU accession as such but the decision by the Federal Council to put in hand preparations for practical accession of Switzerland to the EU, i.e. to conduct accession negotiations and, at the same time, to give detailed attention internally to the measures of State and economic policy necessary in the event of EU accession and to develop such measures in close cooperation with all concerned. Without this preparatory work, a democratic decision for or against Swiss accession to the EU will not be possible - not even in three, five or ten years time.

The Federal Council attaches central importance to the fact that our country must move beyond the interminable discussion over the choice of the route to be taken, the advantages and drawbacks of European Union at this juncture and tactical matters concerning the right time for further steps towards integration. The EU accession strategy developed since 1991 will lose
credibility if it does not prepare the concrete steps to be taken by the people and the cantons who
must themselves decide on accession. For this purpose, the Federal Council requires internal
political support. That is the only way in which it can act decisively in the accession negotiations
and at the same time cautiously prepare the measures of State economic and financial policy that
are necessary or desirable in the event of EU accession.

The debate which must be conducted over the popular initiative “Yes to Europe!” and the indirect
counterproposal by the Federal Council will give the Federal Council central indications as to
whether the internal political support needed to prepare for EU accession does in fact exist. The
purpose of this report is to enable this debate to be conducted on the basis of a well-informed
presentation of the facts. To avoid any misunderstandings or time overlaps, the Federal Council
does not intend to decide on the opening of accession negotiations before the procedure for
ratification of the sectoral agreements has been completed. The Federal Council is working on the
assumption that this ratification procedure can be carried through without further delay.

The questions put by the population and reproduced in extracts in Chapter 3 of the report can be
answered briefly as follows from the Federal Council’s point of view:

*Can the general interests of Switzerland be better preserved and promoted if Switzerland is an
EU Member or if it remains outside the EU?*

The Federal Council has been assessing for years the development of the relationship between
Switzerland and the EU and the possibility for influencing such developments. Naturally the
accession question can only be definitively answered by the Federal Council and by each
individual Swiss citizen if the results of the accession negotiations are known. However, the
Federal Council wishes to present factual material with this report to enable each individual to
begin weighing up respective interests. The Federal Council clearly recognizes that the question
of interests can be the subject of many different answers. Its task is to promote the overriding
interests in the conceptual and material wellbeing of Switzerland and to prepare the necessary
decisions, in this case on EU accession and then lay them open to the direct democratic verdict.
The Federal Council would await the completion of the negotiations and information on all the
negotiated solutions and accession modalities before deciding whether the Accession Treaty
should be signed by Switzerland.

*How can Swiss freedom of action and self-determination be preserved?*

The Federal Council understands the term “freedom of action” to denote the highest possible
degree of self-determination for its own future (see the report by the Federal Council on Swiss
external policy in the 90s). In this modern age, the definition of the boundaries of self-
determination requires close international cooperation and extensive participation in international
organizations. In Europe, self-determination is only pursued by a few countries within their own
national boundaries. A growing number of countries are cooperating to shape their environment
on a crossborder basis in the EU context. In which direction should Switzerland move? After all,
our country has a great deal to win or lose. How can we best remain masters of our own future?
As Members of the European Union or by staying outside? Bearing in mind the fact that in the
near future that Union will comprise practically all the States of Western Union.
How can Switzerland safeguard its prosperity for future generations?

In answering that question, it is important first and foremost to decide for ourselves whether accession to the European Union will strengthen or weaken Switzerland as an economic location or whether going it alone – either moderately e.g. within the EEA Convention or more radically – is more profitable to the majority of the Swiss citizens. The various economic model calculations available in this context reach differing conclusions as to the economic benefits of accession or non-accession. But these conclusions seem less weighty to the Federal Council than the core issue as to whether the Swiss economic players are ready and willing to make the best possible use from their Swiss base of the economic freedoms and competition advantages existing for all entrepreneurs in the EU. Here too, there are no easy answers: do we wish to promote our relative wealth in future through an economic area which is protected by national boundaries, or do we prefer to combine the Swiss location with the European economic zone and develop it further without economic policy protection of our borders?

How can security best be assured for each Swiss citizen?

Apart from the different freedoms within the EU, the creation of a European security area is one of the important new developments which will have a direct bearing on the security of our citizens. The exclusion of Switzerland from most forms of participation in the European security area which is now being created might lead to a situation in respect of asylum seekers where Switzerland could become more attractive both within and outside the EU area for asylum and protection seekers and greatly promote the activities of those organizations which help to introduce people into Switzerland illegally. There is also a risk that Switzerland might become a bolt hole for persons who are wanted for offences in the EU area and also for crossborder criminal organizations. By strengthening physical border protection, these negative implications cannot be eliminated, even if Switzerland does make the necessary financial and personnel resources available.

How can Swiss identity be preserved?

Unlike the questions as to the optimum preservation of freedom, the best possible development of prosperity and the promotion of internal and external security where different interest may prevail, depending on individual assessment of the situation, when it comes to the matter of identity, it is not contradictory interests but rather a critical view of our own history and the diversity of the EU in its present form which will be the decisive consideration. What unites Swiss citizens more: a defensive attitude or a self-assured move into new European areas of freedom? Where can we more sustainably protect and develop the fundamental federal, democratic and security policy values of Swiss identity – within the EU or beyond its borders?

Conclusion

The answers to these central questions are vitally important to the future of our country. Each Swiss citizen must determine those answers for himself or herself. The integration report provides
a working basis for doing so. The Federal Council, acting in the interest of our country and with internal political support, is resolutely determined to pursue the route which in its view best serves the general interest. At all events, the Swiss people and the cantons will in a few years time have the final say in answering the question as to the future role of Switzerland in an integrated Europe.

The Federal Council hopes that the public debate and controversy over Swiss integration policy will be intense and highly controversial. The issues merit a political debate that does more than merely repeat the old familiar slogans. Above all the debate should help to enable each Swiss citizen to form an opinion on the basis of facts. The Federal Council will use its best endeavours to ensure that this debate does not split Switzerland apart but on the contrary strengthens it.

Only if our country, having regard to the changes which EU accession would bring, strikes out along this route with united forces and with a firm conviction and resolve to take part in the construction of Europe, can the Federal Council conduct accession negotiations with the necessary popular support and so prepare for the position which Switzerland should, in the Federal Council’s view, rightfully assume in Europe.