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Then Swiss President Doris Leuthard – pictured here at a news conference with Jean-Claude Juncker, the President of the European Commission – says that Switzerland is being discriminated against by the EU. Photo: Keystone

Fee for access to the single market is due again

Switzerland has for the second time promised 1.3 billion Swiss francs to the EU for the development of poorer Member States. However, attempts by Brussels to exert pressure are causing resentment in Berne.

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Over the past ten years, Switzerland has contributed 1.3 billion Swiss francs to development projects in Eastern Europe. This cohesion contribution to harmonise the level of development between EU Member States was first requested by the EU over ten years ago as a fee for access to the single market. Switzerland contributed a billion Swiss francs to the ten EU states which became EU members in 2004, primarily Eastern European countries. It subsequently paid another 260 million for Bulgaria and Romania as well as 40 million for Croatia. Poland has benefited most from the cohesion payments thus far. Almost half a billion Swiss francs has been spent in this Eastern European country.

Through its payment of 1.3 billion, Switzerland has funded over 200 projects, including border protection infrastructure, support with establishing the administration of justice, environmental education projects and sewage treatment plants. The recipient states had to co-fund the projects by contributing 15 %. Switzerland monitored the use of the funding through its own local offices. Federal government's verdict on the use of the money thus far has been positive. However, the European Union now expects Switzerland to make its cohesion contribution for the next ten years. The Federal Council pledged the money last November when Jean-Claude Juncker, the President of the European Commission, visited Berne.

It actually seemed as though this time the development aid for poorer EU countries would be agreed without domestic political squabbling. In 2006, the first billion Swiss francs in cohesion contributions had to be approved by the Swiss people because the SVP contested its legal basis through a referendum. This time, the SVP has allowed the deadline for calling a referendum against the renewal of the Federal Act on Assistance to Eastern Europe to expire without calling a vote. However, the SVP is regretting its decision now as there is once again widespread discontentment over this in Swiss politics.

Switzerland on the grey list

The reason this time is the threatening behaviour from Brussels that the EU is using to bring Switzerland to heel on other affairs. Shortly after the Federal Council made its pledge, it was revealed that the EU had placed Switzerland on a grey list of countries whose tax regimes are not compliant with its own in the EU's view. The EU is still opposed to the tax privileges that Switzerland grants to foreign holding companies. As the Corporate Tax Reform III was defeated at referendum, the EU's demands have still not been implemented in Switzerland.

However, the real bombshell arrived just before Christmas when the EU announced that it would only recognise the Swiss stock exchange for a year. Brussels is using this time limit to apply pressure on Switzerland to conclude an institutional framework agreement on the bilateral treaties in the first half of the year. This should regulate the incorporation of EU law and the arbitration procedure in the event of disputes. But in Switzerland, the conservative parties, particularly the SVP, are finding it difficult to see such a framework agreement as a "treaty of friendship", which is what Juncker labelled it. Christoph Blocher, the dominant figure in the SVP, has even claimed that the fight against this agreement is just as important as the one against the European Economic Area (EEA) Agreement. Blocher argues that 25 years after the Swiss people rejected the EEA Agreement the Federal Council is attempting to make Switzerland subordinate to the EU through a "colonial treaty". The SVP has therefore already submitted a "self-determination initiative" which aims to enshrine the principle that Swiss constitutional law takes precedence over non-binding international law – such as the bilateral agreements with the EU – in the Swiss Constitution.

The Federal Council saw the one-year limitation of stock market recognition as an affront. It was completely inconsistent with the positive front put on matters by Doris Leuthard, then President of the Swiss Confederation, and Juncker at the reception last November. Several weeks later, Leuthard claimed Switzerland was being discriminated against by the EU. The USA, Australia and Singapore, with which the EU has far less close relations, had received unlimited recognition of stock market equivalence from the EU. This year's Swiss President Alain Berset also condemned Brussels' conduct towards Switzerland.

Without stock market recognition, Switzerland faces losing a significant share of securities trading on exchanges in the EU. The conservative parties are therefore calling upon the Federal Council to use the cohesion payment as a bargaining chip until the equivalence of the Swiss stock exchange has been permanently guaranteed.

EEA states pay more

Even if the Federal Council decides that Switzerland cannot avoid continuing to make cohesion payments, the EU's attempts to exert pressure have changed the mood in Parliament. The conservative parties will not want to approve the new credit unconditionally in light of the EU's power play. Whether Parliament ultimately dares to engage in a test of strength with the EU is another question. The EU demands even higher cohesion contributions from other countries, namely the EEA members Norway, Iceland and Liechtenstein. The three EEA states paid around €1.8 billion in total towards cohesion within the EU between 2004 and 2009. The EU will now receive further support of €2.8 billion for the period from 2014 to 2021. Norway will contribute the lion's share, paying 97 %.

The EU will continue to insist on the rapid conclusion of a framework agreement because it aims to ensure a uniform application of the law in treaties that provide Switzerland with access to the single market. The new Foreign Minister Ignazio Cassis must therefore primarily focus on policy on Europe during his first year in office. Before his election, the FDP Federal Councillor proposed a reset in negotiations with the EU.

The SVP understands something different by this from the parties to its left. It is opposed to any institutional binding of Switzerland to the EU. The other parties see the need for orderly relations with the EU and favour a court of arbitration that decides in the event of a dispute over legal interpretation between Switzerland and the EU. The EU has also indicated that it is open to such a solution and a way out of the institutional deadlock finally seems possible.

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