

The pros and cons on switzerland not being part of the eu



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I. Introduction

Switzerland boasts of a robust economy which has displayed quite an exceptional stability that has withstood various critical points of the world's history. It is a country that has become synonymous with sophisticated watches, ski-resorts for the world's financial elite, scenic landscape sought-out by tourists and a unique and impenetrable banking system which hosts the accounts for most of the world's riches. It can be said that Switzerland is the 'heart' of Europe as it lies surrounded by Austria, Italy, France, and Lichtenstein. There are four official languages: majority of the population speaks German, followed by French, Italian, and Romansh.

Consequently, it has become a melting pot of several major European cultures, a fact that makes Switzerland undeniably European. Moreover, landlocked by said neighboring countries that has enlisted its membership in EU, it would have been natural and expected for Switzerland to easily integrate its economy to the European Union. However, this has not been the case ...at least, not of this moment nor the immediate future (although the time-frame from which the country will eventually give way for total commitment to EU has been subject to a number of speculations, that Switzerland's becoming a part of EU is not an argument of membership but more of 'when'.

Why the reluctance? What has held back most of the Swiss from plunging right into the European Union? It is the purpose of this paper to look upon the various conditions that have kept back its people from giving their

approval, a resistance blatantly exhibited during a 2001 referendum for “Yes to Europe” (B. Beck. “Switzerland and the European Union”).

II. Swiss Government’s Relationship with the European Union

For several years, the Swiss government has adopted a neutral ground policy that has encased itself economically. It has built an image of aloofness towards the rest of the world, by not taking political sides on wars. It has saved itself from war infrastructure devastations not so enjoyed by its neighbors. However, such an image of aloofness does not necessarily follow that the country has not integrated into its neighboring European economy.

Fact:

- About 60% of Switzerland’s exports are used up by EU consumers.
- In return, Switzerland relies heavily of about 80% of its imports which makes it also valuable to EU.
- The local economy is boosted by a number of foreign investments.
- Moreover, most of the foreign nationals residing in Switzerland are EU citizens, in addition to the approximately 180, 000 EU citizens who daily cross the Swiss-EU borders in order to go to work.

Such facts prove that Switzerland’s economy is deeply incorporated with its neighboring EU countries and not entirely walled up.

In the early part of 1990, broaching the subject of deepening its involvement with EU upon its constituents, the government tried a soft approach. It

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assumed a leading position on the negotiations on a treaty which allowed the free movement of people, goods, money and services namely the EEA (European Economic Area). However, the people have rejected this approach through the said 1992 referendum.

In lieu of this, the Swiss government is looking upon possible closure of negotiations that started with Bilaterals I through Bilaterals II. The objective of which is to bring the two sectors to an official footing. Hence, enforcing each party to observe the conditions agreed upon. On the first Bilaterals, the Swiss government proposed ten stipulations concerning liberal movement of people, air & land transportation, research, demolition of procedural barriers to trade, and agriculture. EU consented seven out of the ten stipulations in 1999. These bilateral agreements came into full effect in June of 2002 (“EU Relations with Switzerland”).

Further negotiations are anticipated which is able to open up discussion regarding Switzerland participation with EU's fight against crime and other issues such as the taxation of cross-border savings. The Swiss government is being convinced to extend its information on foreign interest payments to other EU members. The Swiss however, are strongly opposed seeing the matter as a breach of banking secrecy which their economy has greatly benefited from. EU on the other hand, offers a compromise: the Swiss can keep their bank secrecy but has to impose a 15% to 35% tax on foreign accounts coming from EU citizens. In this manner, EU gets its taxes paid. A portion will be retained by the Switzerland to cover up operational costs.

Thus far, some consensuses have been reached, but major differences have to be ironed out, stipulations which still have to be approved by EU and the Swiss government.

III. Reasons for None-Membership

What has generally come as puzzlement for the apparent lack of enthusiasm by the Swiss to enter EU membership could be seen two ways: economic and political reasons.

Economically speaking, majority of the Swiss are not seeing much advantage to further their global competitiveness. They do not see the need in order to validate membership. There are various things at risk such as losing its independent control on its monetary policy, banking-secrecy, and an increase of level of taxes all of which would lessen its attractiveness to foreign investors. Today, Switzerland also boasts of low unemployment rate and low Value Added Tax. Another issue which is deeply imbedded on national identity is the Swiss Franc, the country's national currency. Part of the European Union's main policy is the practice of one currency. The Swiss fear of giving up their own currency if and when it joins with EU. Such a loss may be difficult for most of today's constituents.

Furthermore, the Swiss pride themselves for their strong sense of independence and to exercise direct involvement in political decision-making. It is the only country in which its people would vote about three or four times a year, to participate on making decisions concerning various issues and not only pertaining to electoral votes on public office. Many Swiss

fear that membership to EU would cause them to relinquish their referendum rights over EU control.

Currently, EU allows its members to continue to adopt a policy of neutrality. EU policy states that it will not undermine the security and defense policy of its members. Such member states include Sweden, Finland, Austria, and Ireland. Nevertheless, potential course of action might be to create a unified defense alliance, a move which the Swiss fear as sacrificing their policy of neutrality. The concept of neutrality is also synonymous to their sense of national identity, a policy kept close to heart since majority of the people believed that neutrality have kept them from the havoc of WWI and II.

IV. Benefits of Being a Non-Member

There are certainly major advantages for the Swiss' abstinence from EU membership, conditions which make Switzerland an attractive business destination. It can exercise complete control over monetary policies such as adapting a comparatively liberal stance on taxes than EU member states (among one of the lowest rates). Neither is it forced to conform to minimum rate of Value Added Tax by EU, nor to comply with EU's restrictions on working hours. There are over 650 American companies that have established headquarters in Switzerland, and the figures are still expected to grow because it has a politically and economically sound atmosphere, coupled with highly efficient work-force, and gracious tax terms.

Membership alone to EU does not secure economic growth. Great responsibility still lies on the member itself to create internal conditions that

would attract investors such as the case of Ireland (“ EU Enlargement: Europe Unites”).

One of the foremost accusations on Switzerland’s banking secrecy is its perceived encouragement for tax evasion. But the Swiss government has defended itself by asserting its contribution on fighting tax fraud. Basically, majority of the population perceive that being a non-member allows them to retain much of their well-treasured sense of autonomy, be able to retain banking policies which has attracted the world’s finest corporations including the wealth of the worlds wealthiest.

V. Disadvantages

Being a non-member of course has its own drawbacks. A non-member will have no personality or representation concerning decisions that EU will undertake. Switzerland cannot ignore its neighboring states, and EU’s policies will have direct impact on relations extending from national security, domestic crime or simply tracking down on migration.

EU being bigger can impose policies which tend to bring stricter measures that limit the freedom of movement of people, goods, and transportation. Given the opportunity that Switzerland opens up to EU, the possible in flock of cheap labor that will infiltrate the Swiss labor sector might create a problem. An oversupply of cheap labor would possibly raise unemployment rate (R. Loretan. “ The European Union Studies Center: Switzerland and the European Union”). The Swiss cannot also avail of greater benefits on health, research, and education that EU membership has (“ Cantons Look at Pros of EU Membership”).

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VI. Conclusion

For the Swiss, the issue of EU membership is not something that is eagerly looked forward to. If they could have their way, the Swiss would prefer to maintain the status quo. There is no indication that this will be changed in the immediate future since membership to EU will have to undergo a referendum. It might take some time for the Swiss to decide. They are keen on their freedom especially on being given much space to decide on their own, which probably dates back when the alliance of cantons allowed them much freedom (F. Burmeister. “ EU Membership: Switzerland’s Long-/term Objective”).

However, EU member states have occasionally brought difficulties towards the Swiss, and these might bring pressures that might eventually lead Switzerland to slowly bring down most of their norms and practices under the European Union’s policies in order to heighten the country’s international competitive edge. Nonetheless, the Swiss are still quite reluctant to relinquish some practices which are deeply rooted in their sense of nationality, sense of pride, and the uncertain ill-effects that it might have on their economy. As political scientist Karin Gilland-Lutz have assessed, the sentiment is mostly out of fear of losing a way of life they consider as finest of quality (I. Foulkes. “ Vote Takes Switzerland Closer to EU”).

For the moment, the Swiss are weighing the scales. It is only a matter of time when Swiss will see the scales tipping to their advantage. For now, it is balancing at a precarious state, and in the Swiss mind, EU requires so much precious things to give up and so many uncertain things to gain. On the

other hand, the cabinet continues to steer the country towards final integration by joining the EU. At present, the government is pleased to see a rise of votes is slowly gaining, as statistics show an almost 50-50 split of opinion poll ("Switzerland and the EU").