

The Swiss model doesn't stand up to scrutiny

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Pat McFadden (left) and Andy Tarrant examine the case for emulating Switzerland – and find it wanting.

Some Eurosceptics recognise that Norway's arrangement with the EU does not provide a model for the UK. Instead, [they say](#) that Switzerland has achieved the kind of [arrangement](#) which the UK seeks.



In one sense, the Swiss have retained sovereignty. In most areas, formally they do not have to update their laws to keep in step with changes in EU rules. However, the practical consequence of Swiss laws not being kept in alignment with EU rules is that their companies would not be able to trade with the EU. The result is that they adopt a practice of copying EU rules (or 'autonomously updating') and all Swiss federal legislation contains an assessment of its compatibility with EU law. Swiss legislators do not have the right to vote on EU rules, so the practice of formal sovereignty means the Swiss largely [end up as rule-takers](#).

In addition, while the Swiss wished to exclude free movement of people and include free movement of capital and services in their agreement with the EU, the opposite occurred and the Swiss were obliged to permit EU immigration and were not granted privileged access for services exports. In particular, Swiss financial firms face licensing and other barriers in the EU that do not apply to EU incorporated and authorised firms. Indeed, in the view of representatives of Swiss financial institutions to whom we spoke, the supervision of Swiss regulation by the EU is greater than that which occurs within the EU. The Swiss found that when they negotiated with a much larger partner, the larger partner dictated the terms.

Those who think that the UK would have a stronger negotiating position with the EU because we have a trading deficit with the EU should note two key facts. First, the Swiss trade deficit with the EU is very similar in absolute size to that of the UK. Second, the UK has a surplus in trade in services with the EU, whereas Switzerland has a deficit in services as well as goods. A deal in which the UK and EU achieved mutual free trade in goods but not services, just like Switzerland, might be advantageous for the trade balances of some of the other EU member states whilst being at the expense of the UK.



The Swiss model: does it stand up to scrutiny? Photo copyright [Vinoth Chandar](#) via a [Flickr Creative Commons licence](#).

Some Eurosceptics point out that the Swiss export more per capita to the EU than the UK even although Switzerland is outside the EU and the UK is in. However, this is potentially misleading. The Swiss export successfully in goods markets and in non-life insurance; in other words, where they have an agreement with the EU and where they update their laws to stay in line with the EU. Outside of non-life insurance, the Swiss do not have a strong export performance in services, even though financial services are more important for the Swiss economy than the UK economy.

The UK Independence Party also points to the global free trade agreements struck by Switzerland and say that they have achieved more than the EU and provide a model for what could be achieved by the UK. In fact, the EU has free trade agreements in place or in the pipeline with all the significant economies, except China, with which Switzerland has a deal. If one [examines the terms](#) of the Swiss-Chinese agreement, it is notable how bad the terms are and how particularly bad they would be if they applied to an agreement between the UK and China.

Switzerland also contributes to EU budgets. The Swiss contribution is substantially lower than the Norwegian contribution. If the UK paid the same per capita rate its net contribution would fall by 55%. However, contributions

are in part meant to cover the costs of the EU ensuring and developing the freedoms in the Treaty as well as flanking measures such as the Common Foreign and Security Policy. Neutral Switzerland has much more limited ambition as regards security measures than the UK, and has no bilateral agreement with the EU on services and capital – all key issues from a UK perspective.

Will the Swiss-EU arrangement endure? The EU does not consider it to be viable on a continuing basis. In 2010, the Council of the EU said “the approach taken by Switzerland to participate in EU policies and programmes through sectoral agreements in more and more areas in the absence of any horizontal institutional framework, has reached its limits and needs to be reconsidered.” And last year, the Swiss population voted by referendum to restrict immigration. This potentially means that if an implementing law were adopted by the Swiss government, then Switzerland would be in breach of the bilateral agreement on free movement of people. If this were the case, then the “guillotine” could be triggered and all the agreements fall away.

- This article is adapted from the Policy Network’s paper, [What Would Out Look Like? Testing Eurosceptic Alternatives to EU Membership](#), where fuller links and citations can be found. It represents the views of the authors and not the London School of Economics.
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