

Britain cannot and should not imitate the Swiss model of sectoral bilateralism with the EU



*In this blog post, **Joachim Blatter (University of Lucerne)** explains why Britain cannot and should not imitate the Swiss model of sectoral bilateralism. He also outlines where the British and the Swiss could join forces for re-inventing transnational governance and democracy in Europe after Brexit.*

Britain cannot imitate the Swiss model of sectoral bilateralism

In Switzerland, direct forms of democracy are firmly ingrained and not just applied when political leaders deem them appropriate according to their situational strategic rationale. The direct-democratic instrument of the popular initiative gives the people the opportunity to put an issue on the agenda, and the obligatory and optional referendums provide them with a veto-right. These rights are widely used; the number of popular votes in Switzerland are by far the largest in the world. Switzerland is the most decentralised and federalised country in Europe. The horizontal relationship among the entities of the Swiss nation state is primarily determined by an ideology that values economic and fiscal competition. Finally, Switzerland holds dear to so-called *Milizsystem*. It expresses the idea that the citizens themselves and not any agents or representatives defend and rule themselves.

These internal features of the Swiss government and democracy shaped the relationship towards the European Union. In economic terms, Switzerland is one of the most integrated countries in the European common market, but its political majority always resisted any political integration in multilateral institutions. Instead, it opted for what is called “sectoral bilateralism.” Usually, this term refers to the 16 bilateral agreements which were signed at the turn of the millennium, and which mostly secure the Swiss access to the common market, but also the free movement of people and the Swiss participation in the Schengen and Dublin Agreements. Nevertheless, these latest agreements represent only the tip of the iceberg and overall, sectoral bilateralism encompasses about 120 bilateral agreements.

Switzerland always avoided any supranational judicialization in all these treaties, which means that conflict resolution does not involve any court, but takes place in the form of intergovernmental negotiations in bilateral committees. Nevertheless, there is one important clause in the cluster of bilateral agreements that were signed in 1999 that limits the leeway of Switzerland dramatically: the so-called “guillotine clause” stipulating that if a party determines one agreement, the other party has the right to resign all other agreements.

In practice, sectoral bilateralism comes down to the following main features:

1. In many policy fields, Switzerland follows the regulatory lead of the European Union and applies similar rules in a procedure that is called “autonomer Nachvollzug” in order to comply to the rules of the common market. In crucial policy fields, like taxation and agriculture, though, Switzerland has avoided any binding agreements. This formal autonomy has allowed Switzerland to defend its distinct policies (low taxation and regulation in the former field; strong protection and subsidies in the latter field), even when the EU tried hard to force Switzerland to abandon its egocentric policies. From a structural point of view, these features replicate the relationships among the Swiss cantons on a higher level.
2. As it is within the Swiss federation, most Swiss prefer to have a lot of influence in some crucial policy fields like taxation in comparison to have a little bit of influence in all policy fields. Therefore, those who argue that EU membership would bring them representation and a vote within the decision-making institutions of the European Union have never been able to sway the majority of the Swiss. This is all the more the case because EU membership would imply a massive shift away from the traditional republican form of democracy with the strong element of direct democracy towards a liberal and representative form of democracy.

Great Britain resembles such a liberal and representative form of democracy. In consequence, for Britain sectoral bilateralism represents a much less attractive way to deal with the EU than for Switzerland. For Great Britain, a much larger country with an imperial tradition, it is much harder to accept a relationship in which you usually accept and implement what others have decided on. Given its own understanding as a leading country in the world and given the entrenched reliance on a representative form of democracy, the gained autonomy in important fields like taxation and trade agreements is much less able to compensate for the loss of representation and voting power in all other policy fields within the EU institutions.

Overall, whereas for Switzerland sectoral bilateralism means to be able to go on with its established forms of governance and democracy, for Great Britain it means that the traditional political leadership by the Premier Minister and the sovereignty of the Westminster parliament would be limited basically to pursue its own taxation and trade policy. In many other policy fields, though, the role of these proud institutions will shrink towards explaining the British population what has been decided in Brussels and why it is necessary to follow suit.

Britain should not imitate the Swiss model of sectoral bilateralism

Sectoral bilateralism does not represent a model for dealing with cross-border flows and policy (inter)dependencies that solves the fundamental problems of democratic self-determination in the 21st century. It does not secure national sovereignty in any meaningful way. Bilateralism has not been able to avoid the perceived disconnection between the political elite and the wider population and therefore provides no proper answer to rising populism.

The Swiss traditionally have done everything not to be dominated by international organizations with a broad political agenda and hesitated to join these organisations. This aversion against any influence from international organizations has come at the expense of becoming very dependent on fulfilling the demands of multinational corporations and capital holders. Furthermore, it has made Switzerland very vulnerable to threats uttered by powerful states like the United States. The latter aspect showed up most clearly a few years ago, when US authorities used a threat against the largest bank of Switzerland in order to crack the famous Swiss banking secrecy. In this situation, the Swiss realised what it means to have no allies in a conflict with a global hegemon.



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The obedience towards multinational corporations is the most important aspect, though, since it shapes Swiss policy-making *tout court*. The choice by the political elite of Switzerland to cater to the demands of multinational corporations and capital holders, and to shy away from joining forces with the political leaders of other democratic states for regulating and taxing these private actors, has paid off so far in economic terms. For example, Swiss banks still manage about one-fourth of the global offshore wealth. Nevertheless, this strategy has reduced the political leeway of the Swiss people in a similar way as it is the case with the political leeway of nations that are members of the European Union.

When the OECD, backed up by the G20, put pressure on Switzerland to get rid of cantonal taxation rules that contained massive discounts for multinational corporations, the Swiss government reacted by introducing a bill that would have forced the cantons to provide not only the multinationals but all corporations with very low tax rates. The people rejected this bill in a referendum, not at least because they saw what happens when not just the very small cantons like Zug pursue a strategy of very low corporate taxation, but also larger cantons. Lucerne, reduced its corporate tax rate to 10% a few years ago, in order to keep up with the tax policies of the many small cantons in its neighbourhood. Huge budget deficits have been the result since the newly attracted corporations do not make up for the reduced public income from the established corporations. Despite the fact that the economy is striving, the cantonal government has had to introduce each year a new cost-cutting program. On the national level, a new corporate tax bill is currently worked out, and it looks like that it will differ only slightly from the one that the people rejected. This is because according to widely held opinion “there is no alternative” to finding new ways to secure low corporate taxation. In a situation in which the international community is not tolerating the older discriminatory instruments anymore, the dependency of Switzerland on multinational corporations makes an increase in taxation so risky that for most politicians and commentators it has become unthinkable.

The Swiss only superficially obey to the will of the international community but de facto, they follow much more to the demands of multinational corporations. Being a non-member of the EU does not mean to have more sovereignty; it means that you follow more or less voluntarily the demands of a different kind of international actor.

One of the reasons for the rise of populism all across Europe and for the support of the LEAVE campaign in Britain is the widespread perception that the political elites have become detached from the people. Furthermore, it is usually presumed that the EU with its intergovernmental and supranational forms of policy-making strongly contributes to this development. The Swiss example shows that bilateralism does not prevent the emerging disconnect between political elites and ordinary people. In bilateral system of international relations, the political interactions between actors within the domestic arena and actors from outside are taking place primarily in the form of intergovernmental negotiations, whereas in multilateral and supranational systems like the EU, further points of contact emerge on the level of civil society and intermediary organizations (like parties, interest organizations and media outlets). In consequence, within the domestic arenas and debates, it is almost only the government that brings in the perspectives of the external others when it tries to justify the negotiated compromises.

The British and the Swiss should join forces to push for a less legalistic form of international cooperation and European Integration

Despite the many differences between the British and the Swiss forms of democracy, there is one aspect the British and the Swiss very much agree on: the scepticism against a legalist form of rule and the aversion against “foreign judges.” Currently, the EU follows the legalistic idea that transnational flows and (inter)dependencies should be regulated primarily by a joint system of international/European law implying that judges have the last word in political conflicts.

Both, Switzerland and Great Britain do not share the prioritization of the rule of law over the rule of the people that has its roots in the Roman Empire and that shapes especially the German understanding of democracy and the German stance towards European integration. They give the people or the representatives of these people in the parliament the last word in political conflicts. In consequence, the British and the Swiss could join forces in order to use their current negotiations with the EU for spreading new innovative ideas on how to deal democratically with a world of massive cross-border flows and (inter)dependencies.

One of those ideas is to develop a transnational voting schema in which European states reserve a limited number of seats in their national parliaments for representatives of other nations (as currently do some EU countries like Italy or France for their external citizens). If elected representatives of other nations would have a voice (and a conditional vote) in national parliaments, the external effects of national policies and the consequences of policy interdependencies would be debated in those political fora that are much better embedded in the structures and processes of democratic will-formation and decision-making than intergovernmental summits and the EU parliament. Such a transnational voting schema is based on the principle of reciprocity; national parliamentarians grant elected representatives of another nations only a place/seat in their midst, if the members of the other parliament are doing the same. This makes the idea applicable to multilateral and bilateral settings; EU members and non-members could participate in such an attempt to bring politics back closer to the people without falling back to times of competitive nationalism.

We are currently using the debates on a transnational voting district in the EU parliament for propelling our idea to develop a truly transnational voting space with a focus on national parliaments. Information on this project can be found [here](#).

This post represents the views of the author and not those of the Brexit blog, nor of the LSE.

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