

A FEW CURRENT ISSUES

In this chapter, I won't discuss trains that run on time, although they are a very pleasant aspect of this country. I will speak mainly of problems, because that's what newcomers notice first and complain about. That may give a gloomy image of the country. But if you live here you'll have certainly noticed that it has a lot of good aspects, too, and that altogether, we live a rather pleasant life. It should also be noted that Switzerland is doing well economically while times are very difficult for most of its neighbours. Still, a lot of things are not working satisfactorily. I hope this chapter will give you a better understanding of the reasons.

Housing

One of the first shocks that people experience when they settle in cities like Geneva, Lausanne or Zurich is the difficulty of finding housing. The housing shortage is severe, and contrary to a myth that I sometimes hear from newcomers, this problem is felt by locals as much as by the expats. That's nothing new, though: I've lived in Geneva most of my life and as far as I can remember, that was always the case. I don't write that in order to minimize the present shortage: it's the most acute in decades. I just want to stress the fact that it's not a temporary imbalance that will be easily corrected. There is a structural component to it.

Let's consider Geneva. That's the Swiss city where the shortage is the most acute. Housing experts agree that if less than 2 % of the housing capability is vacant, there's a shortage. In Geneva, only 0.36 % is vacant. How come a rich country is so at pains to provide housing to its inhabitants? The answer cannot be summarized in one sentence. The problem has several layers.

First layer: Switzerland is a small country where space is scarce. It is even more the case in Geneva, one of the smallest cantons in Switzerland, with 282 square kilometres. Geneva is also an agricultural canton – it is one of the biggest wine and vegetables producers in Switzerland. Add to this that Genevans want to keep a green belt around the city and you'll understand the starting point: plots that can be built on are in limited supply.

Second layer: these rare plots belong to private persons and Geneva doesn't use expropriation for housing projects. When a suitable site is identified, studies are done, projects elaborated, zoning adapted... But if the owner of a plot refuses to sell, the project is blocked.

Third layer: Switzerland in general and Lake Geneva region in particular have had a booming economy for several years – you can date it back more or less to the coming into force of the bilateral agreements with the European Union in 2002. The number of jobs in the canton of Geneva increased by 20% in 12 years. As nobody expected it, nothing was planned in advance to address it. So what we have is a significant additional demand that has to be met on a limited stock of building plots. But that's far from all...

Fourth layer: when you develop a housing project, a lot of different institutional players are involved. You've got

the cantonal parliament (known as Grand Conseil), various services of the cantonal administration and the commune. They often have different interests. The canton would like to build as much as possible. The commune is less enthusiastic: the more new inhabitants it gets, the more it will have to invest in infrastructure (schools, streets, water pipes, sewage system, electricity lines etc.). Part of it is financed by a special tax, but it doesn't cover all the costs, by far. And since the biggest part of the taxes that the inhabitants pay goes to the commune where they work, not the one where they live, it's not a very good deal anyway. Communes also want to preserve their quality of life and don't want to see problems like traffic congestion increase. So they usually press for smaller projects. Disagreements between these different players may last years, seriously slow down the completion of a project and increase its costs.

Fifth layer: the "Not In My Backyard" Syndrome. Everybody wants the housing shortage to be solved, but nobody wants to pay the price for it. When you build a project from scratch, at three stages, opponents (like neighbours) can go to court. In certain cases, they can also launch a referendum (for example when an agricultural plot has to be declassified). Even if their case is dismissed in the end, it can take easily one year each time. And you can bet they use these possibilities! This is another factor slowing down the process and increasing the costs.

Sixth layer: faced with so much opposition, developers tend to anticipate them and scale their projects down to the point that the Parliament has had to vote for a compulsory minimal density for projects in certain zones. Of course, it was attacked in a referendum.

Seventh layer: planning and building laws are extremely intricate. They overlap without being necessarily prioritized. When you plan the construction of a site, you have to study water, heating, traffic issues, green spaces, etc. That can take two years. There are a lot of different stages in the building process. A lot of players are involved. To give you just one example, three different bodies can decide how far from a forest it is acceptable to build.... A lot of technical specifications have to be respected and are carefully checked by the administration. Different services don't work hand in hand: each one defends the interests of the policy in which they are in charge (energy, architectural heritage, mobility, etc.) without taking a broader view. Once again, that causes delays and increases the cost of building.

The result: projects often take ten to fifteen years to be completed, whereas in other main Swiss cities, they can take about half of that. Supply is not able to keep up with demand and the shortage is exported to neighbouring France and Vaud.

A more authoritarian political system could maybe impose its will and build on a big scale, regardless of what people think; that's not the system we have. True, the Geneva government has made real efforts to simplify the system and accelerate the procedures. There is also a willingness to change the tax distribution so as to give incentives to communes to accept more housing. But implementing these reforms can be as difficult and as long as building... Many vested interests are at play. Every time you want to change a rule, you're sure to create strong opposition. And whatever the efforts, there are some factors that are beyond the control of the authorities. Land is scarce and will remain so. The "Not In My Backyard" syndrome cannot be cured with a law. So don't expect the housing situation to become much easier.

Healthcare

When you arrived in Switzerland, your attention was certainly caught by the fact that you had to choose health insurance and pay monthly premiums for it. It differs from the system that exists in many countries, like France, for instance, where your health coverage is linked to your job and your contribution is deducted from your salary.

That's another example of a system created from the bottom up. As early as the 19th century, people started to create mutual organizations in order to cover their medical bills. The state stepped in much later and was content with creating a uniform set of rules applying to all of these institutions. It's only been since 1996 that it became compulsory for all to be insured for the basic coverage. So the authorities have a smaller role here than in many countries: when it comes to health insurance, they are just the referee, not the provider¹⁵. And not a very harsh referee: the federal authorities, whose responsibility it is to control the level of the monthly premiums fixed by the health insurers providing basic coverage, has never dedicated important means to accomplish this task. As for medical care itself, it's shared between the authorities and the private sector. Cantons run a certain number of hospitals, coexisting with private clinics and other private medical infrastructure.

The result is a health system that compares favourably with those of other countries. It's easy to get access to medical care – even if the situation got worse these last years. You won't wait long if you need an appointment with a specialist and hospitals are generally considered as very good.

The financing, as painful as it is, also has a big advantage. The premiums are fixed each year in order to cover the

¹⁵ They are also paying agents as cantons help some people pay their premiums.

costs. So the insurance system is debt free: contrary to some neighbouring countries, it doesn't put the burden of our healthcare on future generations¹⁶.

Yet, as you notice every month when you receive your health insurance bill, it has serious drawbacks, notably its costs. Switzerland is one of the countries in the world that devotes the highest share of its GDP to healthcare: 11 % in 2011. Only in Germany, the Netherlands, France, Canada and the United States was it higher.

The reasons for those high costs are, as in most western countries, medical progress and ageing. But part of it also comes from the fact that the incentives are very fuzzy. Many people, as they pay high premiums, want their money's worth and feel justified in consuming medical services regardless of their costs. The medics have no real incentive to prevent them from doing so. Competition is supposed to reign between insurers providing the basic health coverage, in order to lower their costs. Yet, its scope is very limited. Every insurer has the obligation of accepting anybody wanting to join it and of granting the same premium to everybody, whatever his or her risk profile (except children, who have a discount). The insurers have the obligation to provide exactly the same benefits to all their policyholders. They cannot choose whether or not to reimburse the bill of this doctor – the patient usually has the choice to go wherever they want, with a few exceptions. So the possibilities for getting a competitive advantage are limited. Checking the bills more thoroughly or limiting one's own operating costs can do it... but none of this weighs much in the overall balance.

¹⁶ It's a bit more complicated actually as the authorities cover about half of the costs of healthcare and they can use deficit financing. But it's blurred in the general public debt, which, in Switzerland, is comparatively quite low.

Yet, the premiums of the different institutions are very different. How come? In great part because of differences between their pools of policyholders. The rule of the game is: if you have younger people and a limited number of expensive cases, you'll be able to limit the cost of the bills you have to refund and hence the level of your premiums. There is a mechanism that is supposed to compensate institutions having high risk policyholders, but it is rudimentary and the compensation is only partial.

The pool of policyholders depends very much on history and chance. But still, there are a few ways to improve it. If you want to attract mainly young and healthy people, let the policyholders pay for their medicine themselves and refund them later, rather than letting the pharmacies give them the medication without payment and send the bill to the insurance. You won't be very attractive to people that have serious conditions.

Another problem is that a significant portion of the costs is incurred by a very limited number of severely ill people. The same happens with accident insurance, which, for workers, is provided by the employer. But as an institution called SUVA has a monopoly on risky professions, it has a direct incentive to manage these cases on an individual basis, so as to limit their costs. It has developed programs in that regard that seem to have very good results. I'm not aware of comparable programs in the healthcare industry. The incentives seem contradictory: if an institution developed an efficient program to handle serious cases individually, it would probably attract many bad risks.

Healthcare, or rather its cost, is thus a never-ending debate in Switzerland. Basically, two very different kinds of solutions are advocated. On one hand, the right would like to increase

competition between the players. Some minor progress has been made in that sense. But the main proposal of this school of thought is the right, for health insurers, to choose the medical providers whose bills they would refund – or exclude those that they deem too costly. A law going in that direction was rejected by 76% of the voters in a referendum in 2012.

On the other hand, the left would like to create a single-payer health insurance system. They argue that, since the competition between institutions is mainly bogus and based on risk selection, the system would be better managed by a single entity. It would have better incentives, notably for managing heavy cases. An initiative in that sense was rejected by 71.2 % of the voters in 2004. Another one has collected enough signatures and will be voted on in the near future.

So nobody's satisfied with the healthcare system. It can be reformed in two directions, but the people, who are the supreme referee, haven't agreed on any of them so far and the debate has been at a standstill for many years now.

Crime

A lot of newcomers arriving in cities like Geneva or Lausanne are taken aback by the relatively high level of crime, a far cry from the postcard image of a peaceful country where nothing much happens. Everybody has heard stories of hold-ups, pick pocketing and burglaries; some have been confronted directly by them. What is even more shocking are the (genuine) stories that we've all heard about petty serial criminals freed almost immediately after being arrested, as if they were enjoying some kind of impunity (there's even a French expression for it: *remise trottoir*, ie "back on the pavement").

According to the police, most of this criminality is "touristic"; that means; it is not committed by people residing legally in Switzerland. It comes either from young men entering the country, legally or not, in order to commit crimes, or young men who extended their legal stay but can not be expelled, since their country refuses to take them back. In Geneva, a small group of a few hundred identified persons resorting to these categories has been responsible for a big share of street crime in recent years.

Mobility between countries has increased in the last decade, and criminals have taken advantage of it as well as honest people. Some criminals come from the fringes of Europe, some from very close. Thugs from the Lyons area realized that next door was a richer country, less protected and with a more lax police force than their own. Switzerland, which previously had low levels of crime, was not prepared to cope with this wave. The legal system is designed for the citizen who occasionally goes astray and commits a petty crime, in order to leave them a chance to rehabilitate themselves. It was not designed for persistent offenders of petty crimes, like those who commit the bulk of them in cities like Geneva or Lausanne. The philosophy is: nobody should go in jail for small offences. A first conviction is almost systematically deferred and sentences without remission are reserved for serious offences. Petty crime is punished mainly with pecuniary sentences, which are completely ineffective for people without income. A federal law that entered into force in 2011 made things worse. Arresting a person requires a nightmarish amount of paperwork designed to insure the defendant's rights, consuming police time and making some think twice before resorting to such a measure. Keeping a suspect in jail has also become more difficult.

If we look more specifically at Geneva, several other factors are at play:

- Prison capacity is limited. The prison in Geneva (Champ-Dollon) is chronically overpopulated. People sleep on the floor and stay almost all day in their overcrowded cell without going out; the medical service is overwhelmed; tension rises. Both wardens and detainees have engaged in protests movements, lawyers have sued the canton for not respecting the detainee's dignity. Prison officials say the system has surpassed its limits, experts believe that people treated that way are more prone to seek revenge after they're freed;
- Between 20 and 30% of the police force is routinely absorbed by tasks related to the international sector: security during events, demonstrations, etc.... This leaves fewer policemen available for fighting crime;
- The position of Police minister in Geneva is a hot potato that not too many politicians have been willing to take. It has seen a succession of weak incumbents who didn't do much to restore order in the institution and reorganize it to enable it to tackle new challenges. They were notably unable to rein the very powerful police trade unions, which have the habit of fiercely opposing the authorities;
- Credits have been voted to increase the police force. But recruitment tests are tough – around 90% of the candidates are rejected. Not enough recruits have been found. Yet the authorities refuse to make the tests easier as they don't want to lower the standards of the police force. So police force, already crippled by rigid structure, is not large enough to address the level of crime;
- Until recently, the justice system and the police department have been seen as insufficiently coordinated.

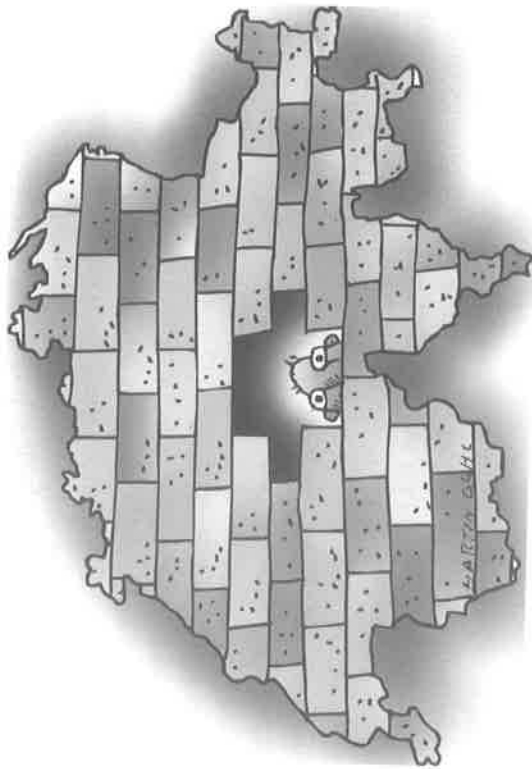
Things seem to have started improving with the arrival of a new police minister (Pierre Maudet) and a new public prosecutor (Olivier Jornot). Both seem determined to work hand in hand to improve the situation. They have agreed to a more serious treatment of persistent offenders. But it stretches the prison system to its limits, questioning the durability of the strategy. It also seems to have pushed some of these criminal elements to move... to Lausanne. While this is certainly good news for Genevans, it's not a real solution.

New prison capacities are planned but as you have already learned, building in Geneva takes time and this program should not be completed before 2017. Cooperation between the police of different cantons and the French police also leave plenty of room for improvement.

As for the inadequate laws, they are federal and, unfortunately, that's much more difficult to change. Some cantons remain quiet and their representatives don't feel the same urge to act; the left is not convinced that the lax laws play a significant role in the crime wave. There have been heated debates in the federal Parliament and the government has proposed to revamp the penal system to allow for short sentences in jail to be reintroduced. The procedure is still pending.

Immigration

If you live in Geneva, the odds are that your house was built by Italian and Spanish workers, the cashier at your local supermarket is maybe Portuguese, the grocery opened as late as 9 p.m. is probably run by a Sri Lankan, the tobacco shop where you buy your cigarettes is run by an Afghan, and the nurse that takes care of you in the hospital is very likely a *frontalière* (cross-border commuter from France). Same story



in the other parts of the country, but you may have to substitute some of these people with Germans, Turks or Kosovars.

Switzerland is an immigration country. Most of the Swiss have at least one foreign grandparent and in the secondary school I went to, foreigners were more numerous than Swiss. Switzerland depends on this immigration. Each woman in the country has on average 1.52 child (1.42 for those with a Swiss passport). This means that, without immigrants, the population would decrease by one quarter in one generation. The country also has a pressing need of a larger workforce, both for low skilled jobs (not many Swiss want to be waiters, cleaners or delivery men) and for skilled jobs (there's an acute shortage of engineers, nurses, IT specialists, butchers...).

Yet, Swiss mentality is not unconditionally welcoming to immigrants. Deep in the mind of many Swiss people are two ideas. First, that theirs is a small country where space is scarce and in which the population cannot grow indefinitely – that's a huge difference with proud immigrant countries like Brasil, Canada and the United States. Second, that living here is a

privilege: it lets you be part of a prosperous, stable and well organized country with a unique political system and a nice quality of life. The Swiss tend to think that one must deserve it, by making efforts to integrate and share national values: discretion, work, modesty, sense of the common good... In many people's mind, it's the foreigner's duty to adapt to Switzerland, not the Swiss duty to adapt to foreigners.

Don't mistake that for hostility. A typical group of Swiss friends includes foreigners – at least in Lake Geneva region. A quarter of the Swiss marry a foreigner. In Geneva, it's almost the half (46 %).

The pace of immigration has significantly increased with the economic expansion that the country has experienced since 2002, when bilateral agreements with the European Union entered into force. The free movement of persons agreement gave European citizens the same rights as Swiss people in the job market and the possibility to settle in the country as soon as they get a work contract (it is of course reciprocal). As a result, the population of Switzerland has gone from 7.3 million to 8 million inhabitants. That's an increase of 8.75% in a decade; were it USA, it would make an additional 32 million persons.

The country was not prepared for this expansion. The infrastructure is overloaded: traffic jams become systematic, commuter trains are packed, parking lots are full, housing is extremely scarce. Welcome to the club, you might say. The Swiss think it's a club they shouldn't belong to. Some blame the immigration; they consider Switzerland too small to accommodate this many people. Others (like me) think that if immigration plays a role, the problem comes mainly from us. We are not able to adapt our infrastructure to the realities, because of our governance problems – read the section about housing. We should be happy to see so many people come to work in our country since it's a sign that

our economy is strong. Whatever action we take to curb the immigration would be worse than the problems that we're trying to solve. And anyway the trend will change at the next economic downturn, which will happen soon enough.

These last years also saw a previously almost unheard of phenomenon: salary dumping. It's well known that in some professions, immigrants accept salaries that are lower than what a Swiss would deem acceptable. The free movement of persons agreement gives EU firms the right to provide service in Switzerland 90 days a year (Swiss firms have the same rights in the EU, though, with their high costs and because of bureaucratic hurdles, notably in France, they don't really make the most of it). EU firms working in Switzerland are supposed to pay their workers according to the local standards. Yet, some don't do it, particularly in the building industry. Newspapers highlighted many cases of foreign workers paid wages that are way too low. That infuriates everybody. Local firms complain about unfair competition. Trade unions fear that immigrants accepting lower salaries would put local workers at a disadvantage on the job market (studies have shown that it's generally not the case). People open to immigration fear that these cases, that are not very numerous, will bring the whole system down.

Mechanisms to fight salary dumping have been put in place, like teams of inspectors showing up at construction sites without notice and reviewing everybody's wages, or instituting a system of penalties for firms that don't play by the rules. But a single case highlighted in a tabloid will always get more attention than day-to-day efforts to curb the phenomenon.

The last decade also saw a sharp increase in street criminality in the biggest cities. Because these crimes are almost exclusively committed by foreigners, some people somehow equate the free movement of persons and the Schengen

convention¹⁷ (which Switzerland is part of), with crime. Of course, that is confusing two very different kinds of population: street criminals generally don't immigrate legally with a work contract or with a Schengen visa. But the human mind is not always rational, as you know...

Immigration has thus become the centre of the political debate. Should we allow it to continue as in the previous years? Or should we put a cap on it? At what price? Should we risk dismantling the whole system of bilateral agreements with the European Union to regain control of the immigration policy?

The government is not in favour of breaking or renegotiating the bilateral agreements with the European Union. Yet, as it has perceived the discontent of a part of the population, it decided to invoke a safeguard clause that gives it the right to put temporary quotas on EU immigration. The gesture is symbolic: the quotas are still high, they apply only to certain kind of working permits (B) and not to others (short-term L or *frontalier G*), leaving ample room to bypass them. It's a purely political gesture to calm things down.

Yet, some people fear it could backfire by legitimizing the case against immigration. Two initiatives have collected the requested number of signatures and will be submitted to vote in 2014. One demands that immigration be managed independently by Switzerland, with a system of quotas, the second wants to limit net immigration to 0.2 % a year. Acceptance of either of them would probably entail a collapse of the bilateral agreements with the European Union. That would

¹⁷ The Schengen convention concerns twenty-six European countries. They agreed to eliminate police border controls (in the case of Switzerland, custom controls remain) and adopt a common visa policy

mean a huge uncertainty, as a substitute solution would take years to enter into force. That would give firms a strong incentive to invest elsewhere, in a more stable environment.

Until now, each time the Swiss had to vote on such an issue, they have refused to close their doors. But as everywhere in Europe, these last years have seen a steep increase of nationalist and populist movements. Momentum is on their side and they may win at some point.

Europe

You're a Swiss politician and you want to flop? State that Switzerland should join the European Union. You're sure to attract very few followers. An initiative requesting the immediate opening of negotiations for entering EU was rejected by more than three quarters of the voters in 2001. Since then, almost nobody openly supports the option.

The Swiss have an uneasy relationship with the EU. On the one hand, they don't want to join it. On the other hand, they follow European prescriptions in a lot of domains, adopt unilaterally most of the Europeans standards and big reforms, like the liberalization of the electricity market, and spend a lot of time discussing and negotiating their relations with the EU. This was even one of the main topics in Swiss politics, if not the main one, during the last decade. The less we want to be part of it, the more we think about it. A psychologist could probably explain that.

What are the causes for this willingness to stay apart? Are the Swiss like Groucho Marx, who wouldn't join a club that would accept him as a member? Well, not exactly, since they are members of other clubs like OECD, UN, WTO, EFTA,

IMF or the Council of Europe. But it is true that they are historically quite defiant about international and supranational organisations. It was not until 2002 that they accepted to join the UN and, if they always voted in favour of bilateral agreements with the EU, they've rejected global solutions and refused to join the club so far. So what's the Swiss problem with the EU? As with the housing shortage, the answer has several layers.

- Almost every country has its founding myths, like the 1789 revolution in France, the struggle of Simón Bolívar for several Latin American countries or the wisdom of the Founding Fathers in the US. The Swiss one can be summed up as follows: once upon a time, foreign rulers (the Habsburgs) oppressed a people of proud mountain dwellers. One day the mountain dwellers rose up and won their independence, weapons in hand. Thanks to their bravery, the people now rule and the country lives in peace and harmony. That's more or less what I was taught in primary school, like every pupil of my generation. It is etched deeply in the national psyche. Most Swiss are convinced that if they're one of the most prosperous countries in the world, it's because their system is better and that adhering to a supranational organization would make matters worse. Unconsciously, they probably somehow equate EU with the foreign rulers of the past. Did they expel them with their halberds to willingly surrender a few centuries later? No way.
- People fear that joining the EU would put neutrality in jeopardy. This concept has lost a lot of importance since the end of the cold war, yet it played a big role in the 1992 vote (see below). It is seen as the main reason why Switzerland escaped the two World Wars, although historians challenge this view.

- The European Union is seen as a top down organization, with technocrats imposing new rules about the size of potatoes or bank regulations from their offices in Brussels without being accountable to anybody. It's seen as distant, bureaucratic and very hard to influence. True or not, this image is the opposite of what the Swiss cherish: bottom-up rather than top-down processes, authorities close to the people, geographically and symbolically, that have to listen to them, ministers that you can bump into in the street.
- The Swiss are not only proud of their semi-direct democracy; it's one of the backbones of the national identity. Joining the EU would limit this: there's no way to launch a referendum on a Brussels decision. As for the European citizen's initiative, it's a theoretical tool so far, and more difficult to put in practice than the Swiss one. It's probably the one argument that weighs the most in the debate, although some studies showed that it would have prohibited only a very limited part of the popular votes that took place in Switzerland. To many people, even that is a non-starter.
- There are more concrete concerns, like VAT: the standard rate is 8% in Switzerland whereas the minimum standard rate is 15% in the EU. So adapting to this minimum level would cause price hikes that would harm both consumers and the economy, in a country that is already markedly more expensive than its neighbours (some say that it would be the opportunity to revamp the tax system and lighten charges on labour, but their view is not widespread). Interests rates, lower in Switzerland, would also probably rise, which would adversely affect economy.
- Lastly, the euro crisis has further damaged the image of the European Union.

So how have these reservations affected Switzerland's policy towards the EU?

Just after the fall of the Berlin Wall, the EU was prepared to expand eastwards and the Maastricht treaty significantly strengthened European integration. Both Brussels and Bern realized that Switzerland could not stay isolated anymore. Together with the other members of the European Free Trade Association (Iceland, Norway, Austria, Sweden, Finland and Liechtenstein) the Swiss government negotiated the European Economic Area, allowing these countries to participate in the EU internal market without being members. Yet, the Swiss people rejected Switzerland joining the Area in a dramatic referendum in 1992.

So what to do? As neither EU nor Switzerland thought that the status quo was sustainable, they negotiated bilateral agreements, which provide for a wide economic integration. It's thanks to the agreements that EU and Swiss citizen now have free access to the each other's job market. The difference with the European Economic Area (EEA)? First, these agreements are less extensive. And second, a subtle but important one: non EU members of the EEA have to adopt EU law in the areas covered by the treaty, even though they didn't participate in its elaboration, and have to accept the rulings of the Court of Justice of the European Union. With the bilateral approach, a change in an EU law can be adapted in the treaties only after it was decided by consensus by a joint bilateral commission and the Court of Justice has no say in the bilateral relationships. Does it seem a minor difference to you? Not to the Swiss. Adopting EU law and recognizing the European court arouses images of foreign rulers imposing their will on the Swiss – exactly what Switzerland was created to avoid according to its founding myth. The bilateral solution gives them a sense of retaining their sovereignty – though you could discuss the extent to which it's still true.

Two series of bilateral treaties thus entered into force in 2002 and 2008. They cover a wide area of subjects – from science to air traffic, agriculture and crime. Some important areas remain uncovered – like financial services or electricity. So far, this approach has met with the approval of the people – all the popular votes were won, though with decreasing margins.

Yet, nobody's really satisfied with the present situation.

- The day-to-day management of these agreements is cumbersome. There are dozens of working groups on every imaginable topic. Adapting the treaties to an evolving background is also considered too complex by the EU.
- There is a widespread feeling in the EU that the Swiss cherry-pick the aspects of European Union that suit them best and leave the others aside, thus appearing like freeloaders. The Swiss deny it, outlining that they're building 20 billion CHF of train tunnels under the Alps that will benefit mostly European freight traffic, that they willingly contributed more than one billion francs to economic assistance to new member countries and that Switzerland gives work to more than a quarter of all cross-border commuters from the EU.
- Many Swiss have also started to doubt the Free movement of people agreement with the EU. It has attracted many workers in the country. It has had very positive effects like boosting growth or avoiding social insurance inducing a deficit. The Swiss economy, which was sick during most of the 90's, recovered more or less from the moment the bilateral agreements entered into force. The unemployment rate decreased. Yet, a lot of Swiss feel a little bit overwhelmed. They complain that as a result of this demographic surge, the housing market dries up, the trains are full,

traffic jams become generalized... They think immigration should be capped to preserve landscapes and the quality of life. Cases of severely underpaid workers coming from abroad in the building industry also have damaged the image of the free movement of people. Some Swiss Germans complain about the way Germans immigrants behave, in a typical mini culture shock: they think that Germans speak too loudly, are too hierarchical, too direct, don't make the effort of learning the local dialects, etc.

Finally, with the arrival of many well-trained EU citizens, the job market has become more competitive. A Geneva populist party has become very successful by claiming that *frontaliers* (cross-border commuters) deprive local people of jobs – although studies tend to show it's not the case.

The EU and its member states have grown more and more impatient with some Swiss peculiarities. This is notably the case with bank secrecy, which Switzerland has had to deeply amend. It's also the case for its corporate tax policy, which EU sees as an unfair competition¹⁸. The EU deems that, as Switzerland benefits from very wide access to the single market, it should play by the same rules as the others. The Swiss think that, since they're not part of the EU, they don't have to be told what to do in areas that are not covered by treaties. But the result is that the image of arrogant foreign rulers trying to infringe on people's rights has gained currency.

¹⁸ More precisely: cantons give special statutes to some corporations which make most of their earnings abroad. In Geneva, for example, the so-called "société mixtes" are taxed at the normal rate for their profits made in the country (24.2%) but at a discounted rate for their profits made abroad –11.6% on average. That is highly beneficial to a lot of firms like commodity traders: since the commodities they deal with usually don't pass through Swiss territory, most of their activity is lightly taxed.

So where are we now? The EU insists that corporate tax law should be reformed and bank secrecy abandoned for non-residents. Plus it insists that both parties should create a general framework for their relations, to ensure that the treaties are easily managed and adapted. The Swiss are looking for a way to reform their tax system and to create a new framework for the relations with the EU. As for bank secrecy, its scope has been significantly reduced. Yet stable solutions deemed suitable by the EU (and the OECD, which is part of the game too on financial matters) still have to emerge. The room for manoeuvre for the government is tight, as it has to reckon with strong domestic opposition to any concession. It's too early to know how that will end.

At the same time, two or three popular votes will take place on immigration in 2014 (see the section about immigration), which could severely affect the relationship with the EU. If any of these proposals is accepted, it could strike a fatal blow to the free movement of people agreement. And the rule is: if one bilateral agreement is denounced, all the others become automatically invalid. Switzerland would be completely isolated and would have to renegotiate some agreements in a weak position. That could take years and leave the economy in a state of great uncertainty. Nationalistic voices argue that EU needs Switzerland as much as the reverse and would never dare to renounce all the agreements. But that's not what the text of the agreements say and, anyway, it would be a huge gamble to take.

As for the left, it already made clear that it won't support the free movement of persons anymore if no tougher accompanying measures are taken to mitigate its effects in various fields, like housing or salary levels.

No doubt the coming months will be decisive for the relationship between Switzerland and the European Union, and consequently, for Switzerland's prosperity.

CONCLUSION

Here we are, at the end of our quick tour of the Swiss political system. There would still be many stones to turn, many details to add, many particular cases to highlight, but you didn't sign up for a 1400 pages PhD preparation course, did you? Now, if you want to find out more, I encourage you to read the news, armed with the glossary of the following pages. You'll see things in action, with the little fights, dramas and compromises that are the fabric of political life. And if you stay long enough, you may become Swiss and join the game. It will be up to you to decide whether or not to sign a petition for a referendum, vote against an initiative or support one party the other. I hope you'll enjoy it and wish you all the best!