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Trade associations as intermediaries between business and politics in the context of European integration

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Abstract

The paper concentrates on the policies pursued by important trade associations in Switzerland with regard to the process of European integration. The main focus of the paper is the impact of the rejection of the EEA-Treaty in December 1992 and the policies pursued up until the conclusion of the bilateral agreements between Switzerland and the European Union coming into force in 2002. The aim is to understand why bilateral agreements became the only means for placing the relationship with the EU on a broader basis while other previously preferred options like joining the EEA or becoming a member-state of the EU were gradually dismissed.

1. Introduction

In the literature on institutional change in Switzerland it is widely acknowledged that the creation of the European single market had a strong impact on economic regulatory reforms in the 1990s, notwithstanding the fact that Switzerland had rejected, by a popular vote in December 1992, the EC and EFTA agreement on the European Economic Area (EEA).¹ Most studies dealing with the impact of European integration on institutional change in Switzerland focus on decision-making processes at the political level.² They conclude that the government

¹ The European Economic Area (EEA) was established on January 1st, 1994 following an agreement between the member states of the European Free Trade Association (EFTA) and the European Community, later the European Union (EU). Specifically, it allows participating in the single market without a conventional EU membership.

² André Mach, Silja Häusermann and Yannis Papadopoulos, “Economic regulatory reforms in Switzerland: adjustment without European Integration, or how rigidities become flexible”, *Journal of European Public Policy* 10:2 April 2003, 301-318; Hans Schmid, Stefan Graf, Thomas Liebig, *Das Ausland und die schweizerische Wirtschaftspolitik seit 1945*, Bern: Haupt, 2004. To the close relationship between decision-makers in business and politics see Thomas Gees, *Interessenclearing*

and the administrations concerned played the leading role and that the traditionally very strong influence of organised business interests on decision-making procedures weakened considerably during this period. But this may be the result of the chosen focus and the available sources. Sources for analysing decision-making procedures at the political level are far more abundant and easily accessible, while analysing the influence of organised business interests is more difficult. In Switzerland there are formal rules for the participation of business in political decision-making at the pre-parliamentary stage of the legislative procedures. But these formal rules were inadequate for assuring that business requests could be taken into account in the negotiations with the EU. The impression therefore is, that trade associations lost influence on legislative reforms, but there is also some evidence that their influence was not really reduced, but increasingly taken into account by informal contacts between decision-makers from business and politics during the negotiations.³ One reason may have been that trade associations were able to organise a referendum against any negotiated agreement with the EU that they thought unacceptable. Another, and probably the more likely one, is that it had been a long established practice to recur on business expertise, and these know-how generating decision-making routines could not easily be dismissed.

The focus of this paper is on the policies pursued by the main business associations as intermediaries between business and politics with regard to European integration and on their role as agents of institutional change in the sense of North.⁴ According to North, the main incentive for investing resources into changing institutions as the rules of the game are changes in relative prices. The realization of a European single market certainly had a massive effect on relative prices, but it was difficult to evaluate the concrete costs and benefits in advance. The advantages expected were based on theory, on the assumption that larger markets enhance competition and that the common market of the EEA would promote economic growth and general welfare in all member states. What advantages and disadvantages did the Swiss trade associations expect from European integration? In what areas did they try to influence institutional reforms? Trade associations may have been

und innere Absicherung. Zur Zusammenarbeit zwischen Verwaltung und Privatverbänden in der schweizerischen Aussenwirtschaftspolitik 1930-1960, in Peter Hug, Martin Kloter, eds., *Etappen des Bundesstaates. Staats und Nationsbildung der Schweiz, 1848-1998*, Zürich: Chronos, 1999, pp. 141-172; Hanspeter Kriesi, Peter Farago, Martin Kohli and Milad Zarin-Nejadan, eds., *Contemporary Switzerland. Revisiting the Special Case*, Houndmills et al: Palgrave Macmillan, 2005.

³ Alex Fischer Alex, *Die Auswirkungen der Internationalisierung und Europäisierung auf Schweizer Entscheidungsprozesse. Institutionen, Kräfteverhältnisse und Akteursstrategien in Bewegung*, Zürich, Chur: Rüegger, 2005.

⁴ Douglass C. North, *Institutions, Institutional Change and Economic Performance*. Cambridge et al.: Cambridge University Press, 1990, pp. 73 ff

interested in adapting national institutions to European rules and norms in order to reduce transaction costs or they may have tried to impede change and stick to different institutions in order to preserve locational advantages in Switzerland. While institutional harmonisation enhances competition among firms, independently of their location, institutional differentiation between nations promotes competition between states or more precisely between their institutional settings.⁵ How were the rules implemented on the European level transferred to the national context? Was there resistance to change by certain interest groups and for what reasons? The declared aim of the Swiss government was to reduce legal differences between Switzerland and the EU in order to facilitate integration in the form of bilateral agreements and by accepting the EEA-Treaty or becoming a member-state of the EU at a later date. As we shall see below we can distinguish between areas of convergence and persistent or even increasing divergence notwithstanding the government's overall policy of rapprochement. After a short overview of the situation before and after the rejection of the EEA-Treaty, I shall focus on the policies pursued by the Swiss Federation of Commerce and Industry (SHIV), the umbrella organisation of 19 cantonal chambers of commerce, 100 branch associations (of a large number of industries and services) and 6 other business organisations. In the fourth section, other important business associations will be dealt with in a summary way. The analysis is based on the annual reports of the associations and some additional publications.

2. The EEA-Shock and its implications

Europe has been composed of a large number of large and small countries with different internal rules and norms, and these differences are still quite remarkable.⁶ Swiss firms had to take into account the different formal and informal national rules, if they wanted to successfully do business with and in these countries. It seems that up to the 1980s there was no pressure from the outward oriented sectors of the economy to adapt internal rules to the rules of other European countries. The share of any European country in total trade or foreign

⁵ By creating the four freedoms within the EEA, both regional and national authorities within the EC would be involved in a fiercer type of institutional competition, cf. M. De Clercq, „Institutional Dynamics in the EC“, in: Alan M. Rugman, Julien van den Broeck, Alain Verbeke, eds., *Beyond the Diamond, Research in Global Strategic Management*, Volume 5, Hampton Hill, England, 1995, pp. 212 ff., with reference to Siebert and Koop, „Institutional Competition versus Centralization: Quo Vadis Europe?“, *The Kiel Institute of World Economics*, Working Paper No. 548, 1993.

⁶ If we rely on the Ifo Database for Institutional Comparisons in Europe institutional divergence is indeed still quite pronounced among the EC and EFTA-countries: www.cesifo.de/DICE.

direct investments (FDI) would hardly have justified such an endeavour. Further more, the cultural diversity and the federal structure of the country had led to the evolution of a variety of rules within the country itself.⁷ Firms were thus used to cope with different legal and cultural systems both at home and abroad. The decision of the EC to establish a single European market was perceived as a major threat by non-member states, because it was not limited to reducing traditional trade barriers, but included the abolition of technical barriers by establishing common legal rules, norms as well as technical and organizational standards. For Switzerland, the single market project threatened to establish new trade barriers, leading to a competitive disadvantage for their export-oriented firms in comparison with firms located in EC-countries. But for firms focusing on the domestic market institutional differences were a means to protect their internal market and abolishing them would have enhanced foreign competition. Not surprisingly, opinions about the advantages of the EEA-Treaty allowing the EFTA-countries to participate in the single European market were mixed. But finally, all the main trade associations representing the interests of the large majority of Swiss firms of all sectors of the economy – both the outward and the inward oriented - declared themselves in favour of the Treaty and supported the political campaign prior to the voting.⁸ For business circles, the option of Switzerland remaining outside of the EEA and being isolated within Europe was simply unimaginable. Employers associations and labour unions were also clearly in favour of joining the EEA and so were all major political parties, with only one exception.⁹

The rejection of the EEA-Treaty in December 1992 marked a deep change in Switzerland's position within Europe. Of course, the Swiss population and its political establishment were used to the fact that a popular vote could always go either way. But the negative outcome came as a shock, because it had been expected that the EEA-Treaty would be approved.¹⁰ In fact, the Treaty was rejected with only a small majority of votes. But since joining the EEA

⁷ The internal single market, one of the main objectives of the constitution of 1848, is still far from being achieved. The Internal Market Law introduced in 1995 has remained largely ineffective. In important areas cantonal specificities still prevail, limiting the free access of employees to jobs and entrepreneurs to public procurement. A new Internal Market Law is discussed in parliament this year.

⁸ For the impact of European integration in the 1980s and up until the creation of the EEA in 1992 see Margrit Müller, "The impact of European Integration on Institutional Change in Switzerland", in Harm G. Schröter, *The European Enterprise. Historical Investigation into a Future Species*, Berlin, Heidelberg: Springer, 2008.

⁹ The exception was the conservative, right-wing Swiss Peoples Party (Schweizerische Volkspartei SVP) and some minor political groups on the far right.⁹ Their opposition gained strength mainly in the last months before the voting, and especially after the government decided to submit an application for Switzerland joining the EU. The effect was, that the opponents could attack the EEA-Treaty as a preliminary step for joining the EU.

¹⁰ It became customary to refer to this event as "der Schock des EWR-Nein".

implied a modification of the federal constitution, the Treaty had to be approved also by a majority of the cantons, and on that level a large majority rejected the EEA.¹¹ The voting had brought to the fore that the country was deeply divided about the future relationship of Switzerland with the European Union and on various lines: language, rural and urban areas, internal and peripheral regions.¹² Further more, at that time the economic recession in Switzerland had persisted in its second year and unemployment rates had reached unusual 4,2%, in some cantons even over 6%. Within only one year, the Swiss economy had lost 120'000 jobs. Even in the service sector, a sector that was usually able to make up for losses in the industrial sector, there was a massive reduction of the number of workplaces. Uncertainty about future prospects was wide spread, and hopes that accepting the EEA-Treaty together with the other EFTA-countries would stimulate economic growth had been shattered.

Losing a referendum and being confronted with a divided population was not an unusual situation, and neither was it unusual that more than just one popular vote was needed in order to convince the majority of the voters and of the cantons of the advantages of an important institutional change. The immediate reaction of the Swiss government was to proceed with the implementation of a large part of the legislation contained in the EEA-Treaty.¹³ The other aim was to avoid the discrimination of Swiss firms by concluding bilateral agreements with the EU and reach a level of economic integration similar to that pertaining within the EEA. The other options discussed were: submitting the EEA agreement once more to the people at a later date or initiating negotiations for joining the EU.¹⁴ What needs to be explained is, why in the subsequent years, trade associations opted for the lowest possible degree of integration – by the means of bilateral agreements – and gradually dismissed the other options even in the long term.

3. Strategies and policies of the Swiss Federation of Commerce and Industry (SHIV)

¹¹ SHIV, Annual Report 1992, pp. 8 f. 50,3 % of the voters and the majority of the voters in 14 cantons and 4 half-cantons had voted against the acceptance of the EEA-Treaty.

¹² Most French speaking cantons accepted while the majority of the German speaking cantons and the Italian speaking canton rejected the Treaty. The population in urban and peripheral areas voted more in favour than the rural and internal areas.

¹³ SHIV, Annual Report 1992, p. 49. The Eurolex-package, consisting of 59 federal resolutions and laws, had been accepted in parliament with a clear majority on the 9th of October 1992

¹⁴ SHIV, Annual Report 1992, pp. 40 ff.

On the national level, the SHIV participated in practically all government commissions dealing with economic policies and legal reforms. It represented the economic interests of its member organisations, and the interests of their members were identified through surveys or at internal meetings and conferences. The SHIV, founded in 1870, was associated with several international organisations: UNICE (Union des Confédérations de l'Industrie et des Employeurs d'Europe), CIFE (Conseil des fédérations industrielles d'Europe), BIAC (Business and Industry Advisory Committee to OECD) and ICC (International Chamber of Commerce). In the 1990s and especially after the rejection of the EEA-Treaty, participation in UNICE, the organisation representing the interests of European industry and employers in dealings with the EC-authorities, became more and more important. In 1989 the SHIV established an office in Brussels in order to keep in constant contact with UNICE, and in 1995 the office was moved to the UNICE building, a step that facilitated contacts with the UNICE-member-associations considerably.¹⁵ The SHIV was also member of the ICC, and BIAC (Business and Industry Advisory Committee to the OECD) since 1962.

Before the voting in December 1992, the SHIV strongly recommended acceptance of the EEA-Treaty. The disadvantages for the Swiss economy in case of a negative result were considered so grave that it seemed very unlikely that voters would discard them. In reaction to the negative outcome the SHIV claimed that all measures apt at improving the competitiveness of Switzerland as a business location should be taken up immediately.¹⁶ Strikingly enough, the SHIV primarily stressed the need to enhance the competitiveness of the nation or rather of its institutional setting and not the competitiveness of particular industries or firms. The aim was to improve the general conditions for doing business in Switzerland in order to compensate or avoid location-specific disadvantages for Swiss firms in comparison with firms located in the EU and in the EEA. Improving locational factors had to become the guiding principle of economic policy reforms in Switzerland.¹⁷ The main guideline for a successful economic policy in a world of free trade and mobile capital, labour, knowledge and technology was to compensate for business activities being delocalised abroad by facilitating the foundation of new firms at home and the influx of foreign direct investments.¹⁸ In the following years the SHIV focused on *three approaches* for securing and improving location-specific advantages in Switzerland and avoiding the discrimination of Swiss firms in foreign

¹⁵ SHIV, Annual Report 1994, p. 16, 1995, p. 176.

¹⁶ SHIV, Annual Report 1992, pp. 8f. and 23 f.

¹⁷ SHIV, Annual Report 1992, pp. 28 ff.

¹⁸ SHIV, Annual Report 1992, pp. 30 ff.

markets: autonomous regulatory reforms intended to strengthen the attractiveness of the country for domestic and foreign firms, find ways for expanding the relationship with the EU on the basis of the free trade agreement concluded in 1972 and, finally, promote the successful conclusion of the Uruguay round of the GATT negotiations and the future negotiations of the WTO. The GATT/WTO negotiations seemed all the more important as a broad barrier against protectionism especially for small countries. But progress was slow. The Uruguay-agreement was implemented on January 1st, 1995, and in Switzerland on July 1st, 1995, after a group representing agrarian and ecological interests had failed to gather the necessary signatures for a referendum. The agreement had been accepted in both chambers of parliament almost unanimously, and none of the important political parties or organisations had supported the referendum. The SHIV was pleased that notwithstanding this delay Switzerland could still be considered a founding member of the WTO, the organisation that replaced the GATT and expanded the area of negotiations from trade in goods to trade in services and to securing intellectual property rights.¹⁹ But the first round of negotiations in Seattle failed, and it became quite clear that future WTO-agreements could hardly be a substitute for agreements with the EU.

Autonomous institutional change

The strategy pursued up to the lost referendum in December 1992 had been to achieve substantial economic reforms in one major step by accepting the EEA-Treaty and simultaneously implementing a package of 59 federal enactments and laws, named EUROLEX, approved by a large majority in parliament in October 1992. In response to the lost referendum the federal council communicated that a good portion of the package would be taken up again. For Switzerland, where institutional change was usually slow, continuous and incremental, the adoption of the EUROLEX-package would have resulted in a major and discontinuous modification of the legal framework.²⁰ Now that this reform had failed, it had to be replaced by an autonomous “revitalising programme” geared towards adapting Swiss legislation to European laws in order to avoid or eliminate disadvantages for Swiss firms in EU markets. But constraints had thoroughly changed and new possible avenues for reforms had suddenly opened up again. The more promising option now was to exploit the new scope for action and implement only those reforms that would enhance the qualities of Switzerland

¹⁹ SHIV, Annual reports 1992, pp. 8 ff., 1993, pp. 7 f., pp. 56 ff., 1995, p. 49.

²⁰ North (1992), pp. 92 ff., distinguishes between incremental institutional change, caused mainly by changes of relative prices, and discontinuous change mainly imposed by external forces.

as a business location.²¹ From avoiding competitive disadvantages for Swiss firms in the EU, the main objective shifted to enhancing the relative competitiveness of the national economy. In effect, only 27 of the 59 amendments contained in the EUROLEX-package were submitted for approval and pushed through parliament rather quickly.²² The new package was called SWISSLEX and was intended to make the Swiss laws concerned compatible with European laws. Raise legal ‘eurocompatibility’, in order to facilitate further steps of integration in the future, was the declared objective of the federal council.²³ The SHIV agreed, but its attitude towards legal reforms shows that business interests soon began to pursue somewhat different objectives. This difference of opinion about the best way to enhance locational competitiveness – in addition to the objective of enhancing the competitiveness of Swiss firms - became quite clear when the reform of competition policy was taken up. This reform was considered very important for improving the competitiveness of Swiss firms. It was also a field where legislation in Switzerland was far apart from EU-rules. Rather surprisingly, competition law was one of those areas where the SHIV wanted to stick to the much weaker domestic rules, allowing cartels as long as the balance of economic and social advantages and disadvantages for the national economy was positive.²⁴ The SHIV agreed that it was necessary to take measures against malpractices of cartels and similar organisations, but opposed any measures that would have come near to prohibiting cartels. The revision of the competition law was initiated in 1993. At first, trade associations were not included in the usual pre-parliamentary consultation procedure in order to accelerate the implementation of the new law. But their interests had to be considered later on and in the end, the SHIV was satisfied that most of its objections had been taken into account, even if not all modifications proposed had been accepted.²⁵ The content of this law was still far apart from EU competition law. Already in 1999 another revision of the Cartel law was initiated, because the sanctions were too weak to form a serious threat for established cartels. The same was the case for

²¹ SHIV, Annual Report 1992, p. 27.

²² In Mach, Häusermann and Papadopoulos, 2003, this formal change of procedure is understood as the main reason for the exceptionally rapid implementation of the Swisslex package, viewed as a far-reaching and fundamental institutional change. But if we concentrate on the content of the main laws introduced, institutional change seems much less fundamental and more incremental. And that is even more the case, if we compare the volume of the Swisslex package with that of the Eurolex package, that would have been introduced unaltered and within an even shorter period of time.

²³ SHIV, Annual Report 1993, pp. 147 ff.

²⁴ SHIV, Annual Report 1992, pp. 79 f. Balancing negative and positive effects had been the method (“Saldomethode”) for evaluating cartels since the implementation of the first cartel law in the 1950s. Most cartels managed to enumerate an array of positive effects in order to safeguard their existence.

²⁵ SHIV, Annual Report 1993, pp. 79 ff.; 1994, pp. 92 ff.

another revision initiated in 2004 and implemented in 2007. Only with the third revision initiated in 2010 the Swiss cartel legislation should be similar to that effective in the EU.²⁶

The other main area of institutional change that paralleled the revision of the cartel law was the liberalisation of the internal market by the means of a new Internal Market Law, intended to abolish the numerous cantonal barriers for market access. This project had been on the agenda since the foundation of the Swiss Confederation in 1848, but it was still only partially realised. The large cantonal autonomy, based on the principle of subsidiarity, had resulted in persistently diverging cantonal rules and norms, especially for public procurement and for the acceptance of professional certificates. These entry barriers also facilitated the establishment and preservation of cartels, especially in the building sector.²⁷ In this respect, the SHIV had no observations at all and repeatedly complained that progress in establishing rules for the reciprocal acceptance of cantonal und communal rules was slow and that the law finally implemented in 1996 contained a far too large number of exceptions still allowing market access restrictions.²⁸

In some areas of reform the SHIV referred to developments in the EU in order to promote change, but there was considerable internal opposition from the inward oriented sectors that delayed substantial progress. Wide room was for example dedicated to the discussion of the different attitudes within the EC and within Switzerland with regard to the energy industry. In this respect, the SHIV relied on the European Energy-Charta, where Switzerland continued to participate as fully-fledged partner. One area where institutional change largely followed the development within the EU was the liberalization of the telecom sector,²⁹ and with regard to the liberalisation of the Swiss post, the “greenbook” of the EC remained an important point of reference.³⁰

The least controversial means for revitalising the economy was abolishing technical regulations that restricted competition or adapting liability laws and the laws on product safety. Rather surprising is the reluctance of the SHIV with regard to participating in the EU

²⁶ The Competition Committee in charge of controlling cartels had the power to order the dissolution of a cartel, but only if the cartel continued to operate the member firms could be fined (fines up to 10% of the annual turnover). SHIV, Annual Report 1993, p. 89.

²⁷ SHIV, Annual Report 1993, p. 17.

²⁸ SHIV, Annual Report 1994, pp. 94 f., 1996, p. 102.

²⁹ Mach, Häusermann and Papadopoulos (2003), pp. 305 f.

³⁰ SHIV, Annual Report 1992, p. 93.

framework programme for research and technology. It was acknowledged that these programmes were important elements of scientific cooperation within Europe and that Switzerland should be able to participate. But the SHIV stressed the opportunity costs of these programmes, and the losses incurred by not using these financial means for national research programmes.³¹

What needs to be stressed is that soon enough the objectives of important business groups with regard to autonomous institutional reforms differed from the dominant political orientation: the government aimed at reducing the differences between the legal setting in Switzerland and in the EU, its aim was ‘eurocompatibility’, the aim of the SHIV was ‘eurocompetitiveness’, that is enhancing the competitiveness of the legal setting at home and thus maintain or create location-specific advantages in comparison with EU countries. Not surprisingly, the result of the policy of autonomous reforms was mixed, with convergence in some minor areas and persistent and even widening divergence in other, more important ones. Already in 1993 the SHIV misses the impetus that had accompanied the Eurolex-reforms, but that of course was precisely the consequence of its own policy of broadening the menu for institutional change.³²

Negotiations with the EU

The primary concern was the future relationship with the EU and how to assure free access of Swiss firms to the European market. The possibilities perceived in the aftermath of the shock of the EEA-No were threefold: continue to develop relations on the basis of the Free Trade Agreement (FTA) concluded in 1972, submit an application for joining the EEA to the voters and the cantons once more at some later date or apply for membership in the EU. Taking into account the results of the referendum, the third option seemed feasible only in the very long term. The important question that nobody was able to answer at the time was whether the EU would be inclined to negotiate on the basis of the Free Trade Agreement.³³ By the time the EEA-Treaty was implemented on January 1st, 1994, the Swiss government had proposed bilateral negotiations and the EU had accepted.

Already in spring 1993 and again in 1994 the SHIV carried through inquiries about the economic consequences of having remained outside of the single market. The outcome was

³¹ SHIV, Annual Report 1993, pp. 87 ff., 1994, pp. 102 ff.

³² SHIV, Annual Report 1993, pp. 9-16.

³³ SHIV, Annual report 1992, pp. 41 f.

not very clear, because it was difficult to distinguish between the effects of the economic downturn and those of the common market. In any case, problems would show up only in the medium and long term. Whether the country would continue to be an attractive location for business in the future was seriously questioned in 1994. The SHIV spotted signs of weakness and alarming signals: Swiss firms expanded more abroad than at home and the inflow of foreign direct investments was low. It was feared that the country was losing ground as a location for manufacturing and services activities in comparison with locations in the EU.³⁴

In December 1994 bilateral negotiations with the EU were initiated on seven important issues - technical barriers to trade, public procurement, free movement of persons, agriculture, research, overland transport and civil aviation - later named Bilaterals I. At that time, concluding the Bilaterals I was still perceived as a necessary condition for further steps on the way to European integration, such as joining the EEA at a later date and finally applying for full membership in the EU. By then, the EU had grown by three former EFTA-members – Austria, Finland and Sweden – and the EFTA was reduced to only four countries – Island, Liechtenstein, Norway and Switzerland. With this enlargement, the dominant position of the EU as the main market for Swiss exports (almost two thirds) and imports (about 80%) became even more pronounced.

In the following years negotiations with the EU progressed slowly. The SHIV repeatedly complained the long and time-consuming bilateral negotiations and continued to hope that the agreements would soon be concluded and improve the relationship with the EU. Important progress was realised in some fields, but in others difficulties persisted. And once an agreement had been concluded, it was followed by complex and time-consuming ratification procedures in the EU, in Switzerland and in all the EU-member countries.³⁵ The long expected economic upturn also continued to be delayed.³⁶ The belief that the bilateral agreements were an important ingredient for enhancing competitiveness and promoting growth was still strong. It was expected that the conclusion of the Bilaterals I would remove the paralysing uncertainty with regard to the relationship of Switzerland with the EU and stimulate the economy.³⁷ But at the End of 1997 negotiations were again delayed. By then, the process had been going on for four years and still no agreement had been found in some of the

³⁴ SHIV, Annual report 1993, pp. 43 ff., 1994, pp. 64 f., 1996, pp. 27 ff.

³⁵ SHIV, Annual Report 1996, pp. 49 ff.

³⁶ SHIV, Annual Report 1996, pp. 11 f.

³⁷ SHIV, Annual report 1996, pp. 51 ff.

main fields of negotiation. But at least the SHIV was able to spot first signs of an economic upturn after a long period of economic recession and stagnation since 1990. The upturn continued in 1998, some important decisions considered necessary for a successful conclusion of the bilateral agreements were taken at the ballot, and in December of the same year the negotiations on the Bilaterals I were concluded.³⁸ If all went according to plan and no referendum would be seized, the Bilaterals I were to come into effect on the 1st January 2001. The bilateral agreements were signed on the 21st June 1999, the parliament approved them on 8 October 1999, but some right-wing political organisations were able to collect enough signatures and claim a referendum. The voting was scheduled on 21 May 2000 and the voters accepted the Bilaterals I with a majority of 67% and a voters' participation of 48%. The Bilaterals I came into force on 1st June 2002, almost ten years after the rejection of the EEA-Treaty and about eight years after having initiated the bilateral negotiations. In the hindsight, the whole process appeared as a veritable hurdle race.

It seems that for the SHIV the Bilaterals I largely fulfilled all the main objectives pursued. That a second round of bilateral negotiations was initiated, even before the first one had been accepted at the ballot, was acknowledged, but without any enthusiasm and they were not to be concluded at any price.³⁹ The SHIV's engagement in European integration had clearly lost momentum. In two studies, published in November 2000 and 2002, on the economic advantages and disadvantages of the three possible paths – bilateral agreements, joining the EEA or the EU – the SHIV draws somewhat different conclusions.⁴⁰ In 2000 it still acknowledged that the bilateral path may have its limits in the future, but by 2002 it had become the only path that was both economically advantageous and politically feasible, even if in the meantime it had become clear that concluding bilateral agreements with the EU was a highly complex and time-consuming process.⁴¹ The other options were both dismissed: joining the EEA seemed hardly worthwhile, because the *Acquis Communautaire* (the package of legislation that would have had to be adopted in case of joining the EEA) had changed considerably since 1992. It contained elements that according to the SHIV offered no advantages in comparison with the bilateral agreements; full membership in the EU seemed completely out of reach, even more so after the massive rejection of the popular initiative

³⁸ SHIV, Annual report 1998, pp. 12 ff.

³⁹ Economiesuisse, Standortbestimmung, 2002, p. 5.

⁴⁰ Economiesuisse, Europa Optionen und Hausaufgaben, November 2000; Economiesuisse, Standortbestimmung zur schweizerischen Integrationspolitik, Positionspapier, October 2002,

⁴¹ Economiesuisse, Standortbestimmung zur schweizerischen Integrationspolitik, Positionspapier, October 2002, Zürich, pp. 3 ff..

(Volksinitiative) “Ja zu Europa”, submitted with almost 200’000 signatures in July 1996 and rejected at the ballot in March 2001 with a majority of 77% of the votes and by all cantons. The voters’ participation was 56%.

3. Other business associations’ reactions to the EEA-shock of 1992

Important associations of outward-oriented industries in Switzerland were the Association of the Swiss machine industrialists (VSM), the Swiss Society of Chemical Industries (SSCI), and Industrie-Holding, the Association of the Swiss multinational manufacturing companies. They were all members of the SHIV and their general attitude towards European integration was similar, but their main interests were clearly industry-specific, and, consequently, they focused on particular and to some extent different topics.

The association of the Swiss machine industrialists (VSM), founded in 1883, had strongly supported joining the EEA. In 1993 and again in 1996 inquiries were carried through among about 300 member firms about the economic impact of being located outside of the EEA.⁴² Results were negative throughout. Only very few firms producing mainly for the domestic market had been able to take advantage from isolation. Of all trade associations, the VSM was probably the most interested in having the same access to the European market as the firms in the EU-countries. Linkages with the European countries and especially with Germany were very strong. The VSM stressed, that it expected the next step would be joining the EEA and that access to the EU remained an option. It was mainly interested in the rapid conclusion of the agreement on technical barriers to trade and in participating in the EU-research programme. The VSM and its numerous branch-specific subgroups were all members of the respective European associations. At that level reliable information concerning developments in the EU was quickly available. The main European connection was ORGALIME (Organisme de Liaison des Industries Métalliques Européennes).⁴³ The intensification of its activities within this organisation was largely approved by the member firms, and the VSM participated actively in the various working groups and committees. While practically all the subgroups were linked with European associations of the same branches, only very few participated also in worldwide associations.⁴⁴ The annual reports of the VSM contain little

⁴² VSM, Annual report 1996, p. 4 ff.

⁴³ VSM, Annual Reports 1988, p. 18, and 1990, p. 14

⁴⁴ In this period, there were about a dozen subgroups. VSM, Annual Reports 1988-1991

information on the activities of these groups, but their main objective was the harmonisation of Swiss regulations, standards and norms with European regulations, standards and norms in order to avoid competitive disadvantages for Swiss firms in the EU-market. Special commissions of the VSM were continuously observing the revisions of legal rules in Switzerland, in the EU and on the international level. These commissions intervened on the national level by commenting on drafts for new rules and indicating possible problems, if the proposed regulation was not in accordance with EC-guidelines.⁴⁵

The chemical-pharmaceutical industry and its association, *the Swiss Society of Chemical Industries (SSCI)*, founded in 1882, was the most globally oriented of all Swiss industries. The European market was important, especially for imports, but since the late 1970s the US have been the most attractive market because of higher income levels and growth rates and a less regulated health sector. The SSCI entertained links with other national and international business associations and also governmental delegations have been quite extensive.⁴⁶ Links with the European Chemical Association had been established right from its foundation in 1959. The international network included about a dozen international organisation, of which about two thirds were European associations. In national policy matters, the SSCI usually intervened indirectly as a member of the SHIV. In 1992 the association supported the acceptance of the EEA-Treaty as a preliminary step for joining the EU. At the time, joining the EU seemed more attractive, but politically more difficult to achieve.⁴⁷ In an inquiry carried through in 1993 among its member firms, the result was that the industry was not seriously affected by the rejection of the EEA-Treaty, but there were some impediments in the trade of goods and the movement of personnel. The inquiry also showed that many firms had developed strategies enabling them to participate in the EU-market independently of the official Swiss policy of integration.⁴⁸ With regard to the Bilaterals I, the SSCI was mainly interested in the rapid conclusion of the agreement on technical barriers to trade, especially with regard to quality controls for the manufacture of pharmaceuticals and in the agreement on the free movement of labour. It was hoped that this agreement would eliminate the bureaucratic barriers that made it difficult to exchange personnel between the Swiss parent companies and their foreign subsidiaries in the EU-countries. In contrast with the VSM, the SSCI gave no priority at all to participating in the EU-research programmes. Their efficiency

⁴⁵ VSM, Annual Report 1996.

⁴⁶ The SGCI had 19 subsections, delegates in about 30 federal commissions and committees, in 22 national organisations and in 12 to 15 international organisations. SGCI, Annual Report 1992.

⁴⁷ SSCI, Annual report 1992, p. 8.

⁴⁸ SSCI, Annual report 1994,

was questioned, and it was feared that participation in these programmes would reduce the funds available for basic research in Switzerland. As to the success of the Bilaterals I, the SSCI remained sceptical: negotiations should be carried on, but joining the EU remained an objective in case of failure. In contrast with this overall perspective, the guideline for legal reforms in Switzerland, namely to make Swiss legislation compatible with EU legislation and thus facilitate negotiations with the EU was criticised, whenever it threatened important interests of the SSCI – for example in the case of EU regulations about gene technology. In this field the SSCI wanted to stick to the less restrictive Swiss legislation.⁴⁹ The same requests and criticism were repeated in the following years. But the SSCI also continued to insist that joining the EU had to remain an option, because important topics were not settled with the bilateral agreements.⁵⁰

The conclusion of the Bilaterals I was acknowledged with great satisfaction. In the SSCI's view, the main economic disadvantages for Swiss firms had been eliminated and, consequently, there was no need for other forms of European integration. On the contrary: the SSCI clearly stated that the disadvantages of joining the EU would outweigh by far its advantages.⁵¹ And the main reason for this drastic change of opinion apparently was the uncertainty about the future development of the EU, and particularly its currency policy and its tendency to harmonise the taxation systems and labour market regulations in the member states. The event that may have triggered this rather surprising turn of opinion may have been the result of the outcome of the popular vote of 7 June 1998 about an initiative demanding a strict control of gene technology. The initiative was dismissed by a large majority of the voters (77,7%) and by all the cantons. With this vote an important location-specific advantage for pharmaceutical firms in Switzerland was preserved. Legislation within the EU was less permissive and the SSCI may have realised the potential advantage of bilateral agreements in comparison with other forms of European integration

Industrie-Holding, the Federation of Swiss based multinational manufacturing companies, founded in 1942, was another important, but less known trade association. Its attitude towards European integration differed considerably from the machine and the chemical-pharmaceutical industries. The Industrie-Holding was much more outspoken with regard to the locational disadvantages caused by the EEA-No. With the realisation of the EEA,

⁴⁹ SSCI, Annual report 1994.

⁵⁰ SSCI, Annual report 1996, pp. 8 ff.

⁵¹ SSCI, Annual report, 1998.

economic transactions within the EU had been considerably simplified and consequently locational advantages of EU-countries had increased in comparison with Switzerland. The association stressed that Swiss firms invested more abroad and less at home and that foreign firms avoided investments in Switzerland. Its main concern were the disadvantages for holding companies located in Switzerland, because of the more favourable EU tax laws.⁵² After the conclusion of the Bilaterals I, the situation improved, but not all problems were resolved. It was therefore not too early to reflect on further steps towards European integration.⁵³ In the following years tax competition and the harmonisation of tax laws for enterprises and particularly holding companies within the EU and in its relation with third countries was the main concern of the association. Progress made in the course of the Bilaterals II seems to have been satisfactory and further options, such as joining the EU, were not mentioned again. Quite generally, preserving the possibility of nations competing with each other by the means of localisation factors and particularly by differentiating their taxing systems was perceived as worth defending. This freedom of action should not be given up in the course of further negotiations with the EU.

The *Schweizerischer Gewerbeverband (SGV)*, founded in 1879, was the umbrella federation of the associations of the mainly inward-oriented sectors of the Swiss economy. It had its representatives in a large number of federal commissions and organisations of vocational education, but only two institutionalised links with international organisation: the “Conférence internationale du travail” and the “Union internationale de l’artisanat et des petites et moyennes entreprise” (Internationale Gewerbeunion, IGU).⁵⁴ The SGV was not a member organisation of the SHIV, but both often cooperated on specific topics. The SGV had also supported the acceptance of the EEA-Agreement, but with more reservations and at a later stage. After the negative verdict of the voters, the SGV seized the new opportunity to mitigate institutional change and focused on watering down the reform of the laws on cartels and the internal market.⁵⁵ Cartel agreements were not to be prohibited, unless in the case of malpractices, because – so it was claimed – cartels raised the efficiency of small and medium-

⁵² The position of the Industrie-Holding largely corresponds with the revitalising programme proposed David de Pury, Heinz Hauser, Beat Schmid (eds.), *Mut zum Aufbruch. Eine wirtschaftspolitische Agenda für die Schweiz*, Zürich: Orell Füssli, 1995.

⁵³ Industrie-Holding, Annual report 1998, p. 29.

⁵⁴ In 1991, the SGV had delegates in 86 domestic commissions and interest groups. SGV, Annual Report 1991, pp. 65 f.

⁵⁵ SGV, Annual reports 1993, p. 16 and pp. 45 ff., 1994, pp. 46 ff.

sized enterprises.⁵⁶ The SGV accepted the necessity of bilateral agreements with the EU, but strongly opposed the option of membership in the EU.⁵⁷ The main advantage of the Bilaterals for the inward-oriented firms was the easier recruitment of foreign labour, and the main disadvantage was increased competition from EU-firms. After the law on cartels and on the domestic market had been concluded in 1996, the relationship with the EU ceased to be an important topic for the SGV. With regard to the Bilaterals, the SGV concentrated on implementing flanking measures with regard to the Agreement on land traffic and - together with the labour unions – to the agreement on the free movement of labour in order to avoid ‘wage dumping’.

Even the Swiss farmers association (Schweizerischer Bauernverband SBV, founded in 1897) recommended the acceptance of the EEA-Treaty.⁵⁸ But within this group interests were divided: there were sections in favour of accepting the EEA-Agreement and others that were strongly opposed. The farmers’ main concern was not the EEA-Treaty, but the threat to agricultural protection stemming from the GATT-negotiations. Those in favour of joining the EEA hoped that the EU would be able to preserve some agricultural protection, while those opposing the EEA-Treaty wanted to maintain the stronger protection for agricultural products in Switzerland. In the negotiations of the bilateral agreements the agrarian interests were difficult to reconcile, and for one field – processed agricultural products – a solution was found only in 2004, long after the conclusion of the Bilaterals I.⁵⁹ Most exports of processed food products (about 70%) went to EU-countries, but the main market for agricultural products has been the domestic market. Having better access to the EU market was of interest for some manufacturers of processed food, but not for the large majority of those producing for the home market and for the farmers, dreading that manufacturers would recur on cheaper imported agricultural products as soon as barriers to imports were abolished.

Also the Swiss employers association (Schweizerischer Arbeitgeberverband SAGV), founded in 1908, and the largest federation of Swiss labour unions (Schweizerischer Gewerkschaftsbund SGB), founded in 1880 and actually the umbrella organisation of fifteen labour unions, had supported joining the EEA and was in favour of the Bilaterals I. The most important agreement for these two organisations was the Agreement on the free movement of

⁵⁶ SGV, Annual reports 1995, p. 10.

⁵⁷ SGV, Annual report 1994, pp. 24 ff.

⁵⁸ SBV, Annual report 1999, p. 6.

⁵⁹ This field was one of the ‘left overs’ of the Bilaterals I.

http://www.bauernverband.ch/de/tatsachen_meinungen/bilaterals%20abkommen/Bilaterale_Okt04.pdf

labour between Switzerland and the EU. At an initial stage there was considerable contrast between the views of the two organisations with regard to the necessity of ‘flanking measures’ against wage-dumpin, but an agreement was reached rather quickly because quite a number of employers, especially small firms, were also interested in preventing ‘unfair competition’ from foreign firms working with foreign labour in Switzerland, especially in the building sector.⁶⁰ The generally positive attitude towards European Integration of the Swiss labour unions was mainly due to the fact, that the possibility to achieve reforms of labour market laws and of social policies were considered better if Switzerland joined the EU than if it remained outside. In effect some labour law revisions were implemented in the course of the 1990s in order to make labour market laws in Switzerland more ‘eurocompatible’. The social democratic party was the only important political party that supported joining the EU already before the EEA and continues to do so up until the present.

4. The process of institutional change revisited

Why did the bilateral negotiations and their successful conclusion, intended to diminish institutional divergence between Switzerland and the EU, lead into a kind of lock-in with regard to alternative paths towards European integration? How can we explain that both options - the acceptance of the EEA-Treaty, perceived as the only option in 1992, and EU-membership, perceived as even the better one in the long term - had lost all their previous attractiveness for the main representatives of business interests in Switzerland? In the course of this crucial decade four developments certainly influenced the attitude of business organisations and their members towards other forms of European integration: the economic development in Switzerland, the evolution of the content of the EEA-Treaty and the development of the EU, the impact of European integration on the role of the main Swiss trade associations and the changing interests of the large Swiss MNE in Switzerland as their home base.

1) The *economic situation* at the time, when the bilateral agreements were concluded and accepted by the voters compared with that prevailing after the rejection of the EEA-Treaty, had changed considerably. The assumed relationship between the persistence of economic

⁶⁰ Flanking measures I were implemented in 2000), flanking measures II in 2005 and flanking measures III in 2009, with an ever enlarged catalogue of provisions and tougher sanctions against foreign labour being engaged at wages beneath the branch-specific levels.

stagnation and not having joined the EEA was less convincing in 2002 than it had been in 1992. Even more so, because the most important advantage according to the SHIV and the SSCI – the free movement of labour – had been achieved with the conclusion of the bilateral agreements in 1999 and their final acceptance by the voters in 2001.⁶¹ The importance of the EU as the main outlet for exports and supplier of imports had also changed, not so much with regard to the actual shares of exports and imports, but with regard to future prospects. Europe's growth rates, especially those of the large countries were low, while the US economy and the economies of the Far East were booming.

The important point is that costs and benefits of institutional change are difficult to assess, because they are based on expectations, on shared views about the future state of the world. In the 1960s, the main trade associations had all disapproved of joining the EC. The SHIV estimated the opportunity costs of remaining outside lower or about the same than if Switzerland would become a member state. Among the various economic sectors there would be some losers, but no clear winners. With the conclusion of the Free Trade Agreement in 1972 the main disadvantages for the export-oriented firms were eliminated and therefore also the incentives for further steps towards European integration. In 1992 all trade associations approved a closer relationship with the EU. Even if the costs of Switzerland being isolated within Europe were hardly predictable, it was clear that all sectors of the economy would be affected negatively and that the impact on the relative competitiveness of Switzerland as a business location could be devastating. This belief was widely shared within the business community, but obviously not within the population and particularly not in all the cantons. Soon after the EEA-No business interests as represented by the main business associations began to diverge from the official political guidelines: The aim was *eurocompetitiveness*, meaning institutional competitiveness based on legal differentiation, and not primarily a legal setting similar to that valid within the EU. *Eurocompatibility* was perceived as a policy pursued by those actors that were in favour of joining the EU, while *eurocompetitiveness* was the guideline more adequately tuned with the interests of the people and the economy. Other forms of European integration became secondary, useful only if the Bilaterals would fail. Once the Bilaterals I had come into force, all the main outward oriented business associations - the SHIV, the SSCI and Industrie-Holding – agreed that the future adoption of EU-rules only made sense, if localisation factors in Switzerland could be improved. The aim of fostering the competitiveness of the nation by the means of institutional competition had clearly got the

⁶¹ Economiesuisse, 2002, p. 3.

upper hand over improving the international competitiveness of Swiss firms by enhancing competition within Switzerland and minimising barriers to trade with the EU.

2) The expansion of the EEA-Treaty and of the legal framework within the EU to other areas of legislation also had a major impact on the expected costs and benefits of other forms of European integration. The main reservations of the SHIV with regard to the Bilaterals II were that some of the new rules implemented within the EU would be incompatible with Swiss regulations concerning the financial sector and in particular with the Swiss banking secret, which was still regarded as essential for its international competitiveness and too high a stake to be traded with in future bilateral negotiations.⁶² With regard to the Bilaterals I, the attitude of the financial sector – banks and insurance companies - has not been mentioned above. Banks and insurance companies had not been against the EEA-Treaty, but neither did they expect any particular advantages. The large insurance companies disposed of a network of subsidiaries in the European countries and were able to take advantage of the single European market independently of whether Switzerland participated or not. In the banking sector national institutional specificities were perceived as a major location-specific advantage (banking secret, tax laws). The Bilaterals I had not interfered with these sensitive areas of legislation, but the Bilaterals II were quite different in this respect. The strongest negative connotations were expressed with regard to the European Monetary Union (EMU), the tendency within the EU to harmonise labour market regulations and social policies as well as parts of the national taxing systems. It was feared that the highly flexible Swiss labour market could become strongly regulated and that the weakening of competition between different national taxing systems (traditionally believed as positive for efficient cantonal government within the country) would enhance governance inefficiencies within the EU. In effect, as has been stated above, enhancing locational advantages by reforming tax laws, especially for multinational companies, had become a means to compensate the initial disadvantages in comparison with EU-countries after the EEA-No. The fact that national political institutions would also have to be adapted in the case of EEA- or EU-membership was also evaluated negatively, mainly because it implied giving up the pursuit of an autonomous foreign trade policy. Further more, constitutional reforms of this kind seemed politically very difficult to achieve. On the other side of the balance only few positive effects were listed: free trade not only in goods but also in services, but this aim might be realised with WTO-agreements, a more liberal agricultural policy in Switzerland and improvements in its communication

⁶² Economiesuisse, 2002, p. 5

systems. Of course, the direct costs of about 3 to 4 billions CHF in case of EU-membership were also evaluated as strongly negative.

3) European integration had a strong impact on the way business associations defined their role as representatives of their members. Since an increasing part of decision-making procedures were situated on the EU-level, disposing of an influential network able to intervene in the national political context became less important and priority shifted to strengthening their participation in the European Associations disposing of direct connections to EC-authorities. The business associations redefined their objectives and went through a process of organisational restructuring, some merged with other associations and several changed their name, for the first time in their long history. The SHIV merged with the Federation of employers and changed its name to Economiesuisse. It focused increasingly on its activities within UNICE (Union of Industrial and Employers' Confederations of Europe). The fact that Switzerland was often characterised as isolated within Europe was acknowledged, but in its view this was only the case for political relations and not for the economic ones. In its annual reports it stresses repeatedly the close contacts between Switzerland and the EU on the economic level.⁶³

The association of the Swiss machine industrialists (VSM) also merged with the employers association of the same industry and changed its name to Swissmem. The SSCI did not change its name, but it downsized its activities in Switzerland, reducing its personnel by about two thirds. The Industrie-Holding changed its membership rules in order to admit firms of the service sector and foreign companies with subsidiaries in Switzerland as its members and changed its name to SwissHolding. The Swiss farmers association (SBV) expanded its organisation in order to strengthen its political influence on the national and international level. Its organisational structure was completely reorganised in 1998 and again in 2002.⁶⁴ Also among labour unions there was some unusual merger activity, mainly in order to join forces by integrating unions of the industrial and the service sectors.⁶⁵ The SGV, the organisation representing the interests of the domestic sectors of the economy, is the only associations without any major reorganisation.

⁶³ Economiesuisse, 2002, pp. 6 f.

⁶⁴ www.sbv-usp.ch

⁶⁵ www.unia.ch

4) Another important development in favour of bilateral agreements was the weakening interest of the large Swiss MNE in Switzerland as their home base. In order to remain internationally competitive, Swiss firms usually competed in quality and not in prices and relied on the national reputation for precision and high quality. Firms in the watch industries relied heavily on „made in Switzerland“, the Swiss banks on being “located in Switzerland”, but in the other outward oriented industries and services firms had been able to loosen the link between the qualification of their goods as being of „Swiss quality“ and the location of the production of these goods. Till the 1980s the distinction remained basically linked with national cultural specificities attributed to the *Swiss firm*, even if the firm was a large MNE producing only a minor part of total production within the home country. In the 1990s, the nation-based distinction was no longer perceived as an advantage, but as a disadvantage. The reason for this change of perspective is not quite clear. SwissCham, the central organization of the Swiss Chambers of Commerce in foreign countries, explains that the large MNE did no longer understand themselves as “Swiss”, but as “multinational”, because of the increasing isolation of Switzerland within Europe. “Swiss” was even connected with a negative image.⁶⁶ The large MNE turned to presenting themselves as “Global Players”. At the same time, in the annual reports separate figures on Switzerland (turnover, employment, investment etc.) disappeared and were absorbed into “Europe” as one of the broad regional categories beside “America” and “Asia”. But the SHIV was well aware of the fact, that in the 1990s the large Swiss MNE expanded their activities abroad and reduced their engagement at home. So it concentrated on preserving or creating particular institutional advantages for these globally oriented firms in Switzerland, and that was only possible if Switzerland remained outside of the EEA and the EU. The aim of the SHIV to increase the attractiveness of Switzerland as a location for the investments of Swiss MNE was coupled with the objective of promoting foreign direct investments in Switzerland, a completely new category of business interests hardly ever mentioned before the 1990s.

5. Conclusions

The process of European integration in Switzerland was thus not stopped with the rejection of the EEA, but continued, although with other means and somewhat changed objectives. By

⁶⁶ Martina Gisler, Die Bedeutung der heutigen SwisCham für die Förderung der schweizerischen Aussenwirtschaft in den Jahren 1975-1994, Diplomarbeit, University of Zurich, June 2005.

concentrating on *eurocompetitivity* and abandoning – at least to some extent - the objective of *eurocompatibility*, the main business associations redirected the procedure of institutional reforms onto a path that inevitably drifted apart from the government’s objective of institutional convergence intended to facilitate EEA- or EU-membership at a later date. In its recent analysis on the future relationship between Switzerland and the EU Economiesuisse draws practically the same conclusions as the SHIV in 2002: Taking into account the interests of the Swiss economy, bilateral agreements are declared as the only means for developing the relationship with the EU.⁶⁷ The only novelty is that in 2002 the option of EU-membership was to be kept open, while in 2010 this option is to be closed.⁶⁸ With this conclusion, Economiesuisse aims at foreclosing the newly initiated discourse about the limitations of bilateral agreements and their negative political consequences, mainly the loss of political sovereignty, especially with regard to the legal practice of adopting rules implemented in the EU. In contrast with most political parties, Economiesuisse has no problem with this type of institutional change, labelled “autonomer Nachvollzug”. Developing Swiss law in parallel with the EU, without being able to participate in the decision-making process, has been declared as harmless, because it was always possible to chose whether to adopt the new EU-rule or not. But in effect, the economic disadvantages of sticking to different rules left little room for deliberate choice.⁶⁹ But probably that was really of minor importance for the SHIV, since its main platform for interfering and influencing the rule-setting process in the EC was its participation in the European association UNICE.

The impact of the main trade associations on political decision-making in Switzerland should not be underestimated, even if their influence in the pre-parliamentary decision-making procedure may have weakened. The approval of business circles was not sufficient in promoting a positive outcome and joining the EEA in 1992, but without their support, shifting to other forms of European integration will hardly be feasible. What needs to be stressed is that decisions about fundamental institutional reforms in Switzerland - needing the support of a majority of the voters and of the cantons – will be based on expectations, on knowledge and beliefs about future opportunities, on widely shared images of the future state of the world. Important institutional change is often initiated by external pressures, but only a broad and open discussion may be able to generate learning processes allowing to reopen alternative

⁶⁷ Economiesuisse, Schweiz – EU: Bilateralismus im gegenseitigen Interesse, dossierpolitik, 14 June 2010, Number 9.

⁶⁸ Economiesuisse, Standortbestimmung, p. 3.

⁶⁹ SHIV, Europa Optionen und Hausaufgaben, 2000, p. 11.

avenues for Switzerland's integration into Europe and to escape from the present institutional lock-in of the Bilaterals.