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## **EU and Swiss Territorial Development Policy: the Linkage<sup>1</sup>**

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If you look at a map, Switzerland seems a point blank in the middle of the European Union. But the colours of a map can be misleading: the reality is much more complex, and in this case much more intricate.

Located in the centre of Western Europe, Switzerland is part and parcel of the European Territory where the country is occupying a strategic position in the Alpine Space and along the corridors linking Western to Northern, Southern and – to a certain extent – Central Europe. Even though it remains outside of the European Union, it is undoubtedly involved in the European Territorial Planning Strategy while, in addition, intense relations with the neighbouring EU countries are vital for the Swiss economy.

Its strategic geographical position explains that the relations of the country with the European Union are more comprehensively explained if we analyze them from a double perspective: a territorial one and a functional one.

- The *functional perspective* describes the global and sectoral relations of Switzerland with the European Union. The global aspect is the general framework: no accession strategy but bilateral relations, the sectoral one is the content of the past bilateral agreements on various subjects since 1972, and the on-going negotiations adding new content (and new bargaining or tensions) to the bilateral relations.

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- The *territorial perspective* describes the particular situation of a country of 7.5 million inhabitants located in the very middle of an Union of some 500 million people and explains Switzerland's deep involvement (generally not very well known) in some major aspects of the EU territorial and regional policy, with some important consequences like the search for synergies between Swiss and EU regional and territorial objectives and instruments.

These two perspectives most of the time combine, and from time to time collide (creating temporary difficulties in the functional relations with the EU, or with the EU neighbouring countries).

This text is thus dealing with the two main components of the Swiss-EU relations, briefly sketched above, that we will try to analyze. But let the reader allow us to underline in this introduction that they may have sometimes unexpected consequences. For instance, as a rich country outside of the Union (but deeply involved by proximity), Switzerland cannot benefit from EU structural funds for its own development and territorial cohesion – we will see that other EU instruments will play a role in this case. But the country is also contributing (since 2007) to the EU funds going to the new EU members from Central Europe (plus Bulgaria and Romania). And it is contributing not because of territorial reasons, but because of its functional relations with the European Union.

The participation of Switzerland in a multilateral agreement EU through the European Economic Area being rejected in December 1992 by referendum<sup>2</sup> making the scenario of a future accession even less realistic than before, bilateral relations have since then been the permanent option pursued by the Swiss authorities. A lot of people in Switzerland even think that the more developed and successful the bilateral relations with the EU will be, the less would be the need to be one day “obliged” to join the Union. In other words, the bilateral agreements will harmonize the relations with the EU, keeping or even improving the accession capacity of the country paradoxically not to be forced to apply for membership!

Of course, dreaming is free... But cannot we image that, in a long term perspective, if Switzerland continues to stay outside of the EU, territorial entanglement could gradually emerge as a substitute to “normal” membership by forging an original way to be part of the EU (without being formally a member)?

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<sup>2</sup> In fact, it was refused by a tiny margin of 50.3%, with strong differences between urban (mostly in favour) and rural areas, french-speaking (in favour) and german and italian-speaking communities.

## ***1. The framework: bilateral relations with the EU***

Since 1972, more than 20 bilateral agreements have been concluded with the EU to promote the access of Swiss products to the EU market and vice versa and to allow the country to take part in some EU programmes, objectives or policies. Most of these agreements have been signed in 1999 (package called “Bilateral” I, composed of 7 agreements) and in 2004 (“Bilateral II”, 9 agreements), while a new set of agreements (“Bilateral III”) is now under negotiation.

In this section, we mention the agreements with the EU which have, in our opinion, an important impact on Swiss economic development. Some of them have also a territorial component, even though it is mainly indirect or secondary.

### **1.1 Bilateral relations with an impact on Swiss development in a broader sense**

- ***Free Trade***

As a small country with little natural resources and raw materials, Switzerland specialised in the production of technological products of high added value and is also very dependent on foreign trade for its economic prosperity and development. EU is by far the first external economic partner of Switzerland. The statistics of the foreign trade show that in 2010, the EU represented 77.5% of the importations of the country and 59% of the exportations, which gives an idea of how deep the Swiss economy is linked to the EU and its Single Market.

The very first bilateral agreement with the EU (EEC at that time)<sup>3</sup> was signed in 1972. It established a free trade zone between the two partners for industrial products and processed agricultural products (chocolate, beverages, etc...). It has been later completed by an agreement on agricultural products signed in 1999 and a new agreement on the processed agricultural products in 2004. These relations are very important for the Swiss agriculture since two thirds of the exportations in this sector go to the EU market.

It is also interesting to mention a 1999 agreement aimed at reducing technical barriers to trade with the EU on the basis of a mutual recognition of conformity tests for consumer protection, health and security for instance. Conversely, Swiss products which have been declared conformed to the standards required by the Swiss legislation can be exported to the EU with the EC label without passing more tests. There is also a 1999 agreement liberalizing the

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<sup>3</sup> At that time, the EEC concluded the same kind of agreements with all the EFTA countries, one by one, and not only with Switzerland.

public procurements between the two trading partners, based on the WTO standards and, interesting thing, extended to the tenders of local and cantonal authorities in Switzerland. This agreement opens up the EU market of procurements to Swiss companies.

- ***Research***

Research and development are key elements of the competitiveness of Swiss products, often characterised by their high technological added value and their image of quality and reliability. In 1999 was signed an agreement on research. Thanks to it, Switzerland is included in the seventh EU Research Framework Programme 2007-2013 which is promoting networking and exchange between universities, research centres or institutes, private companies, individual researchers. The benefits for both public and private sector in Switzerland are very substantial. The Swiss contribution to this EU programme is calculated in percentage of GDP and represents a bit less than 3% of the overall budget of the programme. A new phase, covering the 2014-2020 period, is now prepared.

## **1.2 Bilateral relations with a territorial component**

The specific location of Switzerland in the centre of the European Union makes it play a key-role as a transit country, for instance regarding transport, electricity and energy policies.

- ***Overland transport***

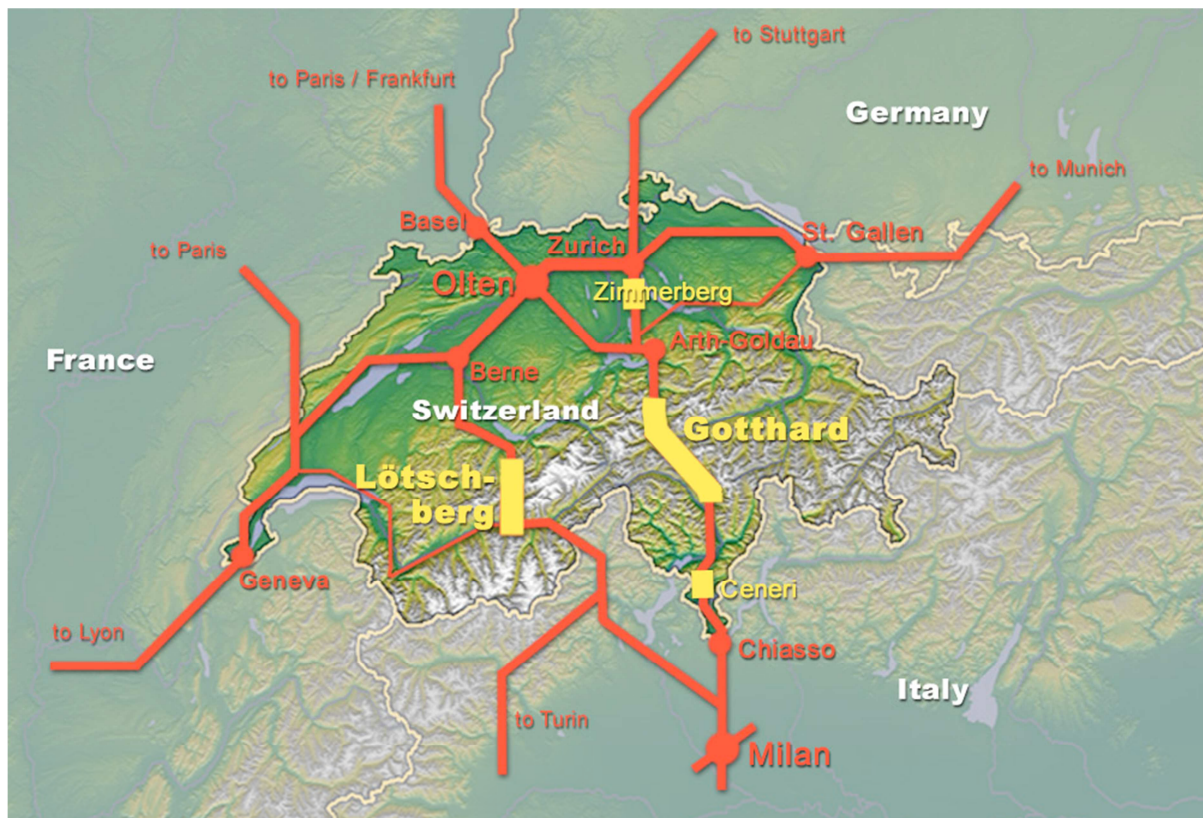
The legal basis here is a bilateral agreement signed in 1999 with the European Union. Switzerland has long occupied a strategic position in the North-South relations through the Alpine space, connecting Germany to Northern Italy, the Mediterranean and the Adriatic Seas. This explains the symbolic role for instance of the Gotthard in European history.

In the 1990s, Switzerland launched an ambitious railway infrastructure policy, consisting in the construction of two long “base” tunnels of 35 km (Lötschberg) and 60 km (Gotthard) at the foot of the mountains for the traffic of goods transiting through the country. The idea was to face the drastic augmentation of trucks in an ecological manner by putting them on a train at the border so that they can cross the country this way until the exit border post. Moreover, Switzerland had introduced a tax on the heavy vehicles and had banned all the vehicles exceeding a weight of 28 tons while the limit in the European Union was 40 tons.

The 1999 Agreement was a way to solve the problems by meeting the respective needs both from Switzerland and from the EU regarding the traffic of heavy vehicles for the transport of goods. By this agreement, the EU fully recognizes the specificities of the Swiss

transport policy, namely the tax on heavy vehicles as a way to finance the new tunnels and other infrastructures crossing the Alps, as well as the transfer of goods from road to rail for environmental purposes. In exchange, Switzerland has accepted to raise its weight limit from 28 tons to the EU limit of 40 tons, allowing by this measure all the trucks from the EU member states to cross the country. The amount of the heavy goods vehicle tax perceived in Switzerland has now to be approved also by the EU member states.

Figure 1: Overland transport



Source: Cooper.ch

- **Transit of electricity**

There is no modern economy without power: energy and electricity. Switzerland plays a key-role in the supplying of electricity in the EU neighbouring countries. It was very spectacularly showed by the September 2003 blackout in Italy, which occurred because the power line carrying the electricity from Switzerland to Italy was damaged by storms.

There are now ongoing negotiations between EU and Switzerland (as part of the “Bilateral III” package) to regulate and secure the cross-border networks of electricity. Switzerland will take these new responsibilities for the general interest of the EU neighbouring countries, and

in exchange, Swiss electricity and energy companies will have a better access to the EU market. This is one of the files of the “Bilateral III” where a common agreement will probably more easily be reached. This is the reason why Swiss negotiators focus on it, in order to create a good climate for the whole package.

### **1.3. Current difficulties in the bilateral relations**

Since the refusal of the European Economic Area (multilateral EU-EFTA agreement) in December 1992, Switzerland has developed a very peculiar type of relations with the EU. In a country where the citizens have often the last word by referendum, the bilateral way has been the only realistic option. But 20 years later, this approach is showing some limits while at the same time, the EU has reinforced itself and is much larger (27 member states, only 12 in 1992) and much more integrated than it was in 1992.

In a conference given in the University of Geneva on 23 May 2012, the new EU Ambassador in Switzerland, Richard Jones, admitted as positive factors the overall sharing of values between the two partners as well as the remarkable skills of Swiss diplomacy. Nevertheless, he insisted on the fact that what is needed today from the Swiss negotiators is a comprehensive and global approach of the EU and the Single Market. From this point of view, he added, the old “sector by sector” bargaining approach where Swiss diplomacy is excellent has reached its limits and should be considered as over, simply because from the EU point of view, the risks for the homogeneity of the Single Market are now judged too high. In other words, everyone should meet the standards of the Single Market as such in a dynamic implementation of the “acquis communautaire” which cannot be “à la carte” anymore.

There are some current examples of the growing discrepancies between the way Switzerland continues to envisage its relations with the EU and the way the EU is seeing them now.

- *Reintroduction of quotas for residents of 8 EU countries*<sup>4</sup>

There is a bilateral agreement, signed in 1999, guaranteeing free movement of persons. Preoccupied by its public opinion, pressure on wages, rising cost of accommodation, the Swiss authorities have decided, on the basis of the so-called “safeguard clause” of the 1999 Agreement (art. 10) to reintroduce temporarily quotas for citizens of 8 EU countries of Central Europe as of May 1<sup>st</sup> 2012. In a Resolution adopted on May 24<sup>th</sup> (2012/2661, RSP), the European Parliament condemned this decision, stressing that “the safeguard clause recalled by the Swiss authorities does not foresee any differentiation on the basis of

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<sup>4</sup> Poland, Hungary, Czech Republic, Slovakia,, Slovenia, Latvia, Lithuania, Estonia.

nationality”. On the contrary, the Swiss authorities contend that, if permanent discrimination based on nationality among EU citizens is banned, temporary adjustments are possible. The controversy lies thus in the way Switzerland makes a difference among EU citizens, while the EU wants equal treatment.

- *Conclusion of separate fiscal agreements with 3 EU countries*

These so-called “Rubik” agreements have been concluded with Germany, Austria and Great Britain. The original idea behind the Swiss Rubik deals is simple: UK, German and Austrian taxpayers with assets in Swiss accounts would make a hefty one-off payment for past tax evasion, plus taxes on ongoing income, in exchange for an assurance that tax-evading clients could preserve their secrecy and receive an assurance that it will be a ‘final’ tax settlement (which means the clearing of eventual offenders). The banking secrecy remaining preserved, tax will be perceived anonymously by the Swiss banks and paid to the country concerned. It is often perceived in Brussels as undermining the efforts of the Commission to reach a consensus between the EU member states to combat fiscal paradises in the same manner. Of course, EU officials prefer a global agreement contributing to the common objective of fighting tax evasion, and are very reluctant to separate agreements with some EU countries safeguarding some controversial peculiarities of Switzerland.

- *Institutional development of the bilateral relations: two different visions*

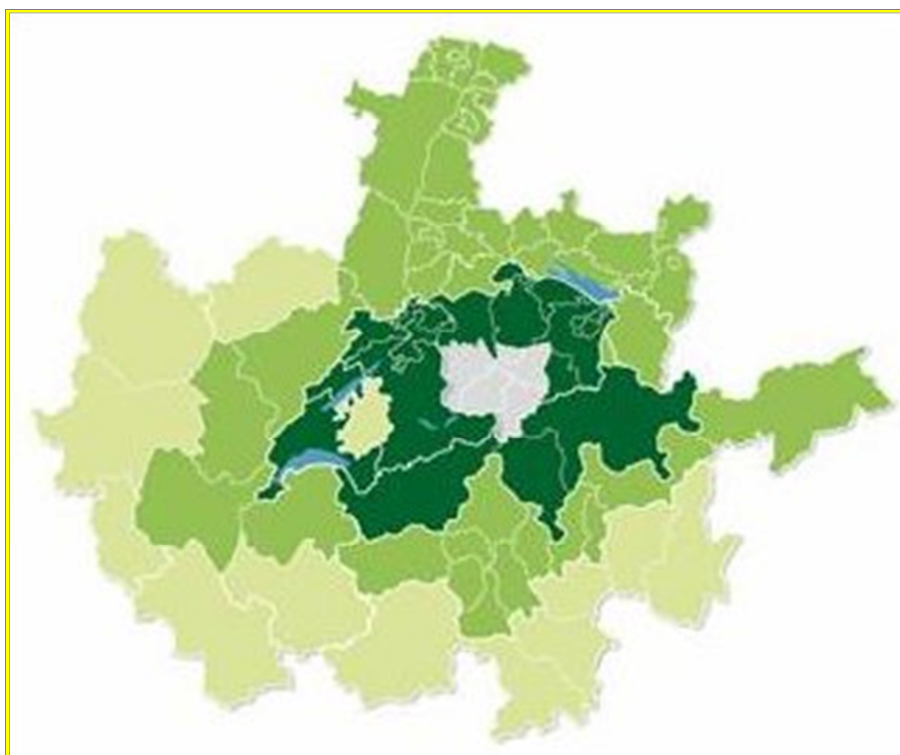
The EU would like to give to the bilateral relations with Switzerland a global institutional dimension as a common framework to all the sectoral agreements already signed, and also to insure a better adaptation to further development of the EU legislation by improving surveillance and dispute settlements mechanisms. Here again, Swiss officials prefer what they call a “comprehensive and coordinated approach”, more flexible according to the areas involved and more respectful of the Swiss sovereignty, for instance in the adaptation and dispute procedures. A working group has been appointed in 2010 but the differences on institutional issues are still very important and limit the progress of the whole package of negotiations. For instance, while the EU would like the former agreements to be adapted quasi automatically to the evolution of the EU legislation, the Swiss side would see a national body, composed of Swiss lawyers and politicians, responsible for the adaptation. For the EU, only a bilateral body could be envisaged.

## ***2. Territorial decentralized cooperation between Switzerland and the European Union***

Decentralized cooperation with the neighbouring countries is something “natural” for plurilingual and federal Switzerland, sharing the languages of its neighbours and recognizing to the Cantons an autonomy giving them the constitutional power to develop cross-border relations with sub-state entities. It is also a necessity for a country “landlocked” in the centre of the European Union.

Under INTERREG IV (2007-2013), Switzerland is very active. 20 Cantons out of 26 (77%) are for instance involved in cross-border relations with their neighbouring regions, counties or Länder. The map underneath shows the Cantons participating in INTERREG A in dark, and their partners in Italy, France, Germany and Austria in pale. As we can see, the 6 Cantons (in blank) which do not take part in any INTERREG project are all concentrated in the centre of Switzerland and do not have any border with the neighbouring countries.

Figure 2: INTERREG A in Switzerland



Source: [regiosuisse.ch](http://regiosuisse.ch)

### **2.1. A combined EU-Switzerland regional policy**

As a federal country, Switzerland must have strong Regional Policy. The current one, called “New Regional Policy” has been adopted in 2006 by the Federal Parliament for the years



2008-2015 (eight years). Its main objective is to favour a balanced economic development by financing programmes for the promotion of entrepreneurship, capacity of innovation, adaptation to structural change. It applies to two types of territories:

- *Mountainous and rural areas*, which constitute a long-lasting target of the Swiss territorial policy, these areas encountering some specific problems in terms of connecting infrastructures, economic development, attractiveness for tourism, agriculture, emigration, etc...
- *INTERREG areas*, which constitute a more recent target incorporated in the National Regional Policy, which thus provides a strong framework for institutional cooperation between Switzerland and the EU on territorial objectives. 20 Swiss Cantons (out of a total of 26) are currently engaged in INTERREG IV projects (2007-2013).

It is interesting to notice how Swiss federalism creates a pluri-level management of INTERREG.

- *A three-level management of INTERREG by Switzerland because of Swiss federalism*

At the federal level, the Secretariat of State for the Economy (SECO) is responsible for cross-border cooperation under INTERREG, but the participation in various INTERREG projects are up to the Cantons involved in them.

The federal level contributes only to the INTERREG projects which comply with the objectives of the Swiss “New Regional Policy” (2008-2014) with a maximum share of 50%.

On Swiss side, the projects which fall under the federal territorial policy objectives are thus co-financed by the Confederation and the Cantons involved.

All this is excellent in principle. The problem is that there are some differences between INTERREG targets and Swiss Regional Policy objectives. For instance, the Swiss Confederation does not finance infrastructures, cultural or nature protection projects. If these domains happen to be part of some INTERREG programmes, they can be subsidised only by Cantonal resources.

For that purpose, some Cantons have even created an “INTERREG Fund” in their budget, giving them an autonomy of decision to take part in this or that cross-border INTERREG project where they find a special interest, even though the Federal State would not support them because it is outside of its regional objectives.

In the Canton of Geneva for instance, to finance a very intense cross-border cooperation incorporating some local peculiarities<sup>5</sup>, such “INTERREG Fund” was created in 2002. Over the 2008-2014 period (seven years), it amounts to 1.47 million € (210'000 € per year). It is also conceived as a way to counteract the growing gap between the INTERREG financing coming from the European Union and the one coming from the Swiss Confederation which is much smaller. The proportion was 1 to 4 under INTERREG III (2000-2006) and is currently 1 to 10 under INTERREG IV, which is considerable and constitutes an additional problem.

- **INTERREG projects between Switzerland and the EU**

As we all know, INTERREG IV (2007-2013) has three components: neighbourhood with common borders (A), trans-national (B), regional without common borders (C). Switzerland is mainly engaged in (A) with its Cantons. But the Confederation is also participating in two INTERREG B territorial objectives, called “Alpine Space” and “North-West Europe”. If we leave INTERREG B aside, the Cantons and the Confederation take part in 5 INTERREG Programmes (4 “A” and 1 “C”):

- Jura Mountains and Lake of Geneva areas, with neighbouring France in Western Switzerland: 81.6 million € (32% from the Swiss side, Confederation and Cantons)
- Upper Rhine with Germany (132.2 million €, almost 50% coming from the Swiss side) and “Alpenrhein-Bodensee-Hochrhein in Northern and Eastern Switzerland with Germany, Liechtenstein and Austria (INTERREG C: 35.1 million €, with Swiss contribution representing 35%)
- Southern Switzerland areas with Italy (91.7 €, 25% from the Swiss side).

The total represents 340.7 million €, with a Swiss contribution amounting to 35.5% (120.9 million), so roughly a proportion of one third for Switzerland against two thirds for the EU.

The main topics concerned are (minus “technical assistance”, 5%):

- *Regional planning, infrastructures* (without federal contribution from the Swiss side), *sustainable development and environment protection* (around 40% of the overall financing);
- *Economy, competitiveness, innovation, vocational training* (35% of the total)
- *Quality of life, better service delivery* (20%).

Of course, these three main topics are interlinked. To see more in detail what they are composed of, let us examine programme by programme:

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<sup>5</sup> See « Cross-border Cooperation between Geneva and neighbouring France: from sectoral to global », in this handbook.

- *Cooperation with France* (Jura Mountains and Lake of Geneva)

Regional planning, transport and environment occupy the first place (41% of the financing), incorporating a better organisation of mobility, the conservation of natural and scenic resources in the framework of a global cross-border regional planning; then economic dynamism (34%) incorporating the emergence of a cross-border coordination for job creation and economic growth, partnerships between firms from both sides of the border, labour market and adaptation of skills to new job requirements, mobility; finally, improvement of the overall quality of service delivery and their accessibility (21%).

- *Cooperation along the Rhine River* (with Germany on “Upper Rhine”, and with Germany, Austria and Liechtenstein under an INTERREG C programme “Alpenrein-Bodensee-Oberrhein”)

In the “Upper Rhine” programme with Germany, sustainable development occupies the first place (40% of the financing), with the promotion of energy efficiency, renewable sources of energy, sustainable uses of natural resources, promotion of “soft” mobility and use of public transport; then come regional cross-border policy for housing, labour market, vocational training (28%), and a research and technology package incorporating tourism (28%); the “Alpenrhein-Bodensee-Oberrhein” cooperation is equally divided between competitiveness and innovation (47%) and sustainable development (47%) incorporating infrastructure, as well as natural and cultural common heritage.

- *Southern Cooperation* (with Italy)

Competitiveness, incorporating innovation, technology, transport, tourism, SMEs development, occupy the first place (39%); then come better access to public services and coordinated development of the service delivery for health, education, culture, tourism (31%); then, sustainable better territorial cohesion, environment and risk management (26%).

The linkage between EU and Swiss territorial policies is thus striking. It is a concrete and not very visible way to “europeanize” Switzerland by making it contribute to important EU objectives. But, it does not exclude differences or discrepancies. This is what we are now briefly examining.

## **2.2. Remaining obstacles to the complete incorporation of Switzerland into the European Territorial Cooperation Strategy**

These obstacles are of two natures: functional ones (involving the global status of EU-Switzerland bilateral relations) and territorial (differences of objectives in the respective regional policies).

- **Difficulties to harmonize territorial policies.**

We have seen already that Swiss and EU territorial objectives may differ in their scope. For instance, culture, natural heritage protection and infrastructure are not parts and parcels of the Swiss Regional Policy. But in most cases, they fall under other federal policies. Nevertheless, even though the domains are taken into consideration at the federal level in Switzerland, they exclude the federal participation in these fields under INTERREG.

It is also important to underline the specific role of the Cantons in federal Switzerland. Either they are autonomous (relying on their own budget) or partners for the implementation of federal objectives (“Implementation through Cooperative Federalism”).

By and large, the Cantons are decisive actors, both internally in the framework of the Swiss Regional Policy, and externally in the framework of the INTERREG programmes with the EU, thanks to their constitutional prerogatives which cover relations with sub-state entities in other countries. They are in most cases filling the remaining “gap” between the EU and the Swiss federal authorities in terms of territorial and regional objectives.

In the framework of the Swiss Regional Policy, 30 geographical regions have been made eligible for fiscal advantages to small and medium enterprises (as an incentive to economic development and job creation). But this is only one aspect of the fiscal landscape in Switzerland. Some others, which are not connected directly with territorial policy, are much more controversial and affect the global (functional) relations with the EU.

- **Cantonal tax systems**

In Switzerland, some Cantons have developed very favourable tax systems on their territory (they have the constitutional power to do so). This question, deeply linked with Swiss internal federalism, affects the global relations of the country with the European Union. Are these systems EU-compatible? Are they a way for the Federal authorities to minimise their responsibility in the fight against tax evasion?

While the EU is urging Switzerland to implement the European Code of Conduct adopted in 1997 on the taxation of the enterprises, in a report issued in December 2010 the Commission expressed its “preoccupation” regarding tax systems in some Cantons. Very favourable to the holdings for instance, they contribute to create – the Commission said – “unacceptable distortions of competition”. This is typically a territorial internal question which affects the functional global relations with the EU. The Commission assimilates these cantonal fiscal systems to disguised State aids which should be banned.

In the same way, the EU Commission criticises fiscal exonerations to the enterprises established in peripheral areas which are parts and parcels of the Swiss “New Regional Policy”

launched in 2008. Here again, the Commission points out the risks of distortions of competition on the other side of the border with EU neighbouring countries.

Of course, in the background, there are also the pressures exerted on Switzerland to cooperate more actively against tax evasion.

### ***3. Territorial solidarity with the new EU countries “Swiss Enlargement Contribution”***

Although not EU member, Switzerland is participating in the efforts to develop the countries of Central Europe which joined in 2004, as well as Romania and Bulgaria which entered in 2007. This is an important element contributing to more harmonious relations with the European Union.

This policy of solidarity with the new Member States has been approved by the citizens by referendum in November 2006 (53.4% of the votes), as well as the credit of 1 billion CHF (830 million €) for financing development projects in Central Europe until June 2012 (payments until June 2017). A new phase is now under negotiation. An additional credit of 257 million CHF (215 million €) has also been approved by the Federal Parliament in December 2009 for Bulgaria and Romania until 2014 (payments until the end of 2019).

The Swiss contribution to the cohesion policy of the EU in the new Member States entered in 2004 is focused on four targets:

- *Environment and infrastructure* (34% of the overall credit)

This sector receives the lion's share just because it generally involves more expensive projects than in the other domains. Here we can find projects in various areas: flood protection, biodiversity, renewable energy, energy efficiency, regional development, public transport, infrastructure development.

- *Human and social development* (24%)

This thematic priority covers vocational training, research and study programmes, health projects, community partnerships, promotion of NGOs and civil society.

- *Security, stability and reforms* (22%)

The following areas are covered: justice reforms, fight against corruption and organised crime, border security, disaster risk reduction, regional development.

- *Promotion of the private sector* (12%)

Here, we find the strengthening of the private sector (namely the SMEs in structurally weak areas), the promotion of the export capacity and the compliance with environmental and social standards.

From a geographical point of view, Poland is by far the country which concentrates the biggest share of the Swiss contribution: 48% (Hungary arrives in second position with 13%).

The management of the contribution is entirely performed by the Swiss administration (SDC and SECO) in complete autonomy. 8% of the entire budget is allocated to administrative and management costs. In the end of 2011, 73% of the credit to EU-10 has been allocated to 144 projects while 53% of the budget for Romania and Bulgaria has been either provisionally earmarked for projects or definitively approved. In principle, the partner countries contribute 15% of the project costs.

Concretely, let us see the example of Hungary to have an idea of the kind of projects that the Swiss contribution is supporting. As it is for the other EU-10 countries, the commitment period ends on 14 June 2012 and payments will be made until June 2017. The approval procedure is a two stage one: (1) a preliminary sketch describing the project is submitted; (2) after the sketch has been approved, the detailed project is then submitted for definitive approval. The overall allocation for Hungary amounts to 124.2 million CHF (105 million €). In the end of 2011, 67.2% of the credit has been definitively approved for projects, 30.6% (corresponding to the first stage of the procedure) provisionally approved, and a remaining 2.2% not yet allocated.

In Hungary, the Swiss contribution applies mainly to the following areas: water supply, protection against flood, research and scholarships, economically disadvantaged regions, infrastructure, tourism, private sector, safety, healthcare, biodiversity.

The *protection against flood* is a very important topic. For instance, there are projects along the Tisza River in the northern part of Hungary which is very well-known for disastrous floods. They incorporate the renovation of water measurement stations, the installation of observation cameras, the improvement of the forecasting instruments, the purchase of mobile dam safety systems which are flexible and rapidly deployable.

Another example is *water supply*, because the infrastructure is often 50 to 60 years old and in bad condition. Most of pipes are made of asbestos-cement and cast iron. The number of pipe bursts is considerable and the maintenance costs are for this reason high. There are in this field projects in four municipalities to modernize the pipelines, to connect remote communities to the water supply system, to ensure the same standard of water supply all over the municipal territory, to install new quality controls and to improve the quality of the drinking water.

*Promoting research* is also a focus point. For instance there are various projects associating Swiss and Hungarian research institutes. The main areas are health, environment, energy, information and communication technology, nanotechnology, natural science.

Finally, it is worth mentioning that Switzerland is cooperating actively with the three States of the European Economic Area (Norway, Iceland and Liechtenstein) which contribute in a multilateral way to the EU cohesion fund. Even though the country remains autonomous in its enlargement contribution, it creates synergies and knowledge sharing which enhance the efficiency of the Swiss contribution.

### ***Conclusion: Switzerland – EU, the challenge of intricacy that you cannot escape***

In this short text, we have made it very clear that Switzerland and EU relations are now so intricate that, even without being a Member State, they put the country to some extent in the heart of the process of uniting Europe, but in a silent way!

- In the functional relations with the EU, essential for Swiss prosperity, there is a growing demand for more *global* and *more institutionalised* relations. The EU and its Single market are more and more integrated and limit the Swiss capacity to define its own original way. May be the Bilateral Way has a future because the other options are not realistic, but this model will probably have to evolve in a more structured and comprehensive direction.
- In the territorial relations, there is a demand for more *cohesion* both from the EU point of view with for instance the INTERREG Programmes or the funds for the new Member States, and from Switzerland with its “New Regional Policy”. There are interesting synergies like the incorporation of INTERREG areas, as such, in this “New Regional Policy” or the “Swiss Enlargement Contribution” to the new Member States. It is also interesting to see how Swiss Federalism creates a relatively complex game, with the substantial role played by the Cantons and their constitutional prerogatives and substantial financial resources. Most of the time, they make things easier and more dynamic, as it is the case within INTERREG. But we can find also other examples (like their fiscal autonomy) where Cantonal autonomy makes Switzerland less easy to understand from Brussels.

To summarize, we could say that:

- because of the geographic position of Switzerland at very centre of the Union, and because of the evolution of the EU towards more integration, the relations are becoming

more and *more intricate* (and this is pushing to a stronger structuring of the relations, even though Switzerland is trying to resist in certain areas to preserve a more “flexible” approach);

- but at the same time, both Swiss federalism and the peculiar situation of the country with the EU *prevent the relations to become monolithic*.

An important consequence, not very obvious if we follow the Swiss political and opinion debates often focused on the symbol of “sovereignty”, is that we can less and less disconnect the Swiss development strategy (both on its territorial and socio-economic components) from the European development strategy. In this respect, we have probably gone beyond interaction or harmonization. We will probably enter the phase of a global framework in which several levels will articulate in a more structured way.

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## **Web Sites**

Swiss Confederation (on Europe) [www.europa.admin.ch](http://www.europa.admin.ch)

SECO (State Secretary for the Economy) [www.seco.admin.ch](http://www.seco.admin.ch)

Swiss Regional Policy and INTERREG [www.regiosuisse.ch](http://www.regiosuisse.ch)

European Union Research Framework Programme [www.sbf.admin.ch](http://www.sbf.admin.ch)

INTERREG [http://ec.europa.eu/regional\\_policy/](http://ec.europa.eu/regional_policy/)

Gotthard “base” Tunnel [www.alptransit.ch](http://www.alptransit.ch)

Lötschberg “base” Tunnel [www.bls.ch](http://www.bls.ch)