



Challenges 2007 – 2011

Trends and possible future issues
in federal policy

Report of the Forward Planning Staff of the Federal Administration
of 3 April 2007

Acknowledged by the Federal Council on 18 April 2007



Schweizerische Eidgenossenschaft
Confédération suisse
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Statement by the Federal Council

Every four years the Forward Planning Staff of the Federal Administration prepares an interpretive document for legislature planning purposes on behalf of the Federal Council, which serves as an overview of the most important future issues in terms of federal policy.

In its response to the postulate on “a national discussion of values” (05.3157) of 3 June 2005, the Federal Council further announced that the Forward Planning Staff of the Federal Administration would also address fundamental policy issues and values in the context of preparation for the legislative planning period 2007–2011. The preparation of this report was therefore adopted as a priority in the work programme of the Forward Planning Staff of the Federal Administration. Chapter 1 of the report contains the key points in the form of a summary of the fundamental future issues facing federal policy in the coming years.

The Federal Council takes note of this report without commenting specifically on or necessarily agreeing with the statements therein. When drawing up its programme for the next legislature period, the Federal Council will concentrate on future challenges and then set out the political priorities and focuses for the future in the 2007–2011 legislature planning report at the beginning of 2008.

As it has previously stated, the Federal Council is prepared to play a leading role in the discussion on future challenges. The question as to which political conclusions to draw is, however, not only a matter for the national government but, given our federalist and liberal political system, also the task of all those involved in politics. It will also greatly depend on parliament, the cantons and the politically interested public as to what direction the discussion on our future will take and how far it will go. It is with this in mind that the Federal Council is making the report available to the general public.

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Introduction

Every four years, the Forward Planning Staff of the Federal Administration prepares an overview of the most important future issues facing federal policy on behalf of the Federal Council (Annex 3: Members of the Forward Planning Staff). Under the guidance of the Federal Chancellery, the Forward Planning Staff brings together representatives from around 30 Federal Offices. It is commissioned to reflect on current official positions of federal policy with regard to future challenges and provide constructive criticism. This report is the third of its kind (after 1999 and 2003).

Commissioned
by the Federal Council

The “Challenges 2007–2011” report is intended, just like its previous editions, to serve various actors as an interpretive document and reference work: It is a valuable source of information for the Federal Administration for the formulation of situation analyses and fundamental questions for the planning of the legislative programme on behalf of the Federal Council. It is available to the special parliamentary committees in the procedure to prepare the legislative programme. It is also made available to the cantons to aid them in their own reflections.

Value of the report

In its response to the Donzé postulate (05.3157), the Federal Council promised to apply a pragmatic approach in the preparation of this report, which ensures continuity and strives for a certain degree of simplification. The work was coordinated through the committee of the Forward Planning Staff. The committee decided to forego redesigning the report, choosing instead to update the previous edition (Challenges 2003–2007) in a targeted manner. The scope of the new report was oriented towards 2020. In an initial step, an external expert¹ was commissioned, as was the case for the two previous editions from 1999 and 2003, to update the analysis of the international dimension (Annex 1). In a second step, the relevant Federal Offices reviewed and updated the sector-specific chapters (Chapter 2). The Federal Chancellery then revised the draft report as a whole. The full report was then put out to consultation.

Approach

The outcome thus reflects the knowledge and experience of the Federal Administration and is not an expert report. First and foremost it sets out the problems and challenges that could arise in future as a result of policies already embarked on or envisaged by the Federal Council, as well as the consequent need for action. With regard to future measures not yet decided or planned by the Federal Council, possible solutions and approaches are merely outlined. For the first time, the key challenges facing Switzerland are highlighted in this edition in the form of a summary of (Chapter 1 Challenges 2007–2011).

Outcome

¹ Prof. D. Ruloff, Head of the Institute of Political Science at the University of Zurich, Director of the Swiss Institute for Foreign Policy Studies.

1. Challenges 2007–2011

The International Environment

International and national developments are increasingly interlinked. The development trends and challenges at the international level are becoming increasingly important for Swiss policy. International competition is becoming more intense. Economic globalisation is to a large extent being driven by radical technological changes, which are likely to continue to develop in the course of the 21st century, but it is also due to the increasing opening of economies to global competition. Western countries are developing into knowledge societies, whose prosperity is based on knowledge and the harnessing of the new information and communications technologies. Industrial production will continue to take place largely in developing and newly industrialising countries. Transnational corporations are the motors of economic development and are important actors in the process of globalisation. The international exchange of financial services will in all likelihood take on increasing importance. The globalisation effects of the new technological systems, of global corporate networks and of globalised financial markets are reinforced by the economic upturn in Asia, and due to the ongoing liberal economic policy in the USA and the continued integration of markets in Europe as part of the EU's economic and monetary union. Switzerland, as a small open economy with a major financial centre, has so far benefited as a whole from the globalisation process. This places it under constant and ever increasing pressure to adapt in order to improve its basic economic conditions, and be able to continue to use the opportunities presented by globalisation. At the same time, the accelerated structural changes engender feelings of fear for the future in many people, also in western countries. Globalisation is thus often equated with uncertainty and job losses. The political authorities have to recognise these fears.

Economic globalisation spreads

The world's population will grow to roughly nine billion people by the middle of the 21st century. These people will increasingly settle in the metropolises of the South. Since 1990, the percentage of people having to live on less than a dollar a day has been reduced from around 28% to around 20%. However, the overall number of the very poor has not fallen. And the disparity in the distribution of wealth has grown. In 1960, the income of the poorest fifth of the world's population was over 30 times lower than that of the wealthiest fifth; today it is 80 times lower. Due to the continued large economic gap between rich and poor countries, the number of potential migrants is rising. Globalisation is becoming more multicultural. While the increase in the worldwide exchange of information, goods, services, technologies, etc. is experiencing a global cultural homogenisation, local, regional and national cultures and entire culture groups are increasingly being challenged and trigger counter-movements as a result. With the continuing economic rise of China and India, the affiliation of globalisation with US-European interests and values will diminish. The demographic and social developments affect Switzerland at different levels, be it in terms of immigration or new kinds of security challenges, or new demands in the area of foreign policy. As far as Switzerland is concerned, it must prepare itself for the opportunities and risks of an ageing society.

Demographic, social and cultural dynamics

Global environmental changes are increasing. The most recent worldwide analysis of the global environmental situation was conducted in 2005 by the UN's environment programme as part of the Millennium Ecosystem Assessment. It states that roughly 60% of all ecosystems, such as water, air, climate, which make life on the planet possible, are degraded or not used in a sustainable manner. Current development trends would indicate that the situation could deteriorate significantly within the next 50 years. The need for action in the 21st century is made clear on the basis of climatic changes. The UN's Intergovernmental Panel on Climate Change (IPCC) and resulting studies predict that limiting the average global temperature increase to 2°C by 2050 – which would already lead to a significant change in climate, nature and global food production capacities – requires major reductions in emissions. Greenhouse gas emissions worldwide would have to peak by 2025 and subsequently fall by 2050 by up to 50% compared to 1990 levels. Significantly greater reductions are demanded of the industrialised nations (60–80% by 2050). Switzerland is directly affected by global climate changes – in the form of melting glaciers or increased natural hazards –, but also indirectly (e.g. environmental refugees). It therefore faces challenges in terms of its domestic and foreign policy actions.

Global environmental problems intensifying

Challenges facing Switzerland (I): Maintaining economic performance

Remaining competitive
Continuing policy of growth

For Switzerland, globalisation is associated with opportunities and risks and makes winners of those capable of adapting (e.g. multinational firms or SMEs with innovative products; highly-qualified specialists with skills in global demand; tourism destinations, which appeal to new well-to-do classes in newly industrialising countries) as well as losers (e.g. workers in sectors where manufacturing processes are transferred abroad; the poorly qualified). Overall, Switzerland has so far been able to benefit economically from the globalisation process and will continue to do so, as long as it accepts the constant pressure to adapt and takes seriously the fears of those who have lost out by cushioning the structural changes in a socially-acceptable way. With the steps towards liberalisation already taken or envisaged in the field of telecommunications and the postal market, greater competitiveness in public transport (railway reforms), and the tightening of competition law together with various measures to improve the regulatory environment, important steps have been set in motion, which represent important prerequisites for maintaining Switzerland's appeal as a business location in the coming years. These developments will be continued through new reforms such as the 2011 agriculture policy and the second reform of corporate taxation. Alongside the continuation of various reform policies, great importance is also placed in the further development of infrastructure, particularly in terms of access to public and private transport networks. In view of all these efforts, it will be important to ensure that the partially conflicting goals that exist in certain areas of policy (such as environmental burden, quality of life in towns and cities, basic provision of services in outlying areas, social and political stability, unemployment), can be resolved in a future-oriented manner. The financial sector is an important pillar of the Swiss economy. It is embedded in a dynamic, international environment. This fact has to be taken into account in the form of an active and farsighted policy designed to support Switzerland's financial centre. Switzerland's financial services industry must have a reliable framework in order for it to hold its own in the long term in the face of international competition. That means appropriate regulation and effective supervision, which can act as a seal of quality for Switzerland's financial centre.

Raising productivity
by taking advantage of the knowledge society

High productivity will remain a decisive factor in Switzerland's appeal as a location for business. Switzerland must constantly work towards maintaining this advantage. A well-educated and motivated workforce, innovative engineers and scientists and competent service sector staff contribute to attracting potential investors to Switzerland. In addition to the tax advantages of a business location, the opportunity to establish its profile and uniqueness depends on the cultural diversity and know-how of its highly-qualified professionals. This is the only way a business location can obtain an advantageous position in the worldwide value chain. The education system, at all levels – from kindergarten to university – should also be emphasised as a key factor for success and should constantly be improved in terms of quality. Structural reforms are also necessary at universities and universities of applied sciences, where considerable potential for streamlining still remains, and can be maximised by means of a better division of tasks between, and indeed within, the universities. Varied cultural offerings are also part of a business location's appeal. As well as contributing to the welfare and quality of life of the population, cultural offerings of high quality and a diversified and well-maintained cultural landscape also have a positive influence on a company's decision as to where to locate.

Safeguarding incomes and employment

In addition to advancing technological developments and the progression of the international division of labour, the demographic shift will pose a challenge to the Swiss labour market in the medium term. In view of the demographic trends, the State must establish the necessary framework to ensure that the labour market participation of the population is as high as possible. Those nearing retirement age represent one target group. In recent years, there has been a tendency towards early retirement. Should this trend continue and become more prevalent, the problems would be compounded due to the ageing demographic. A second target group consists of people with child-rearing duties, who are unable to combine that role with professional activities or find it difficult to do so. A better work-life balance can be achieved by guaranteeing better external day care possibilities for children of pre-school and school age or by making working conditions more family-friendly. A third target group consists of persons and households, whose household

income is not sufficient to achieve subsistence level. In 2005, 4.2% of those employed were classed as working poor. The challenge with regard to this group is to improve the income situation of those concerned, though without removing the incentive to pursue gainful employment.

Economic development is driven by new discoveries, but is also shaped by the constantly changing markets. The legal implementation of the principles of market economics and the international opening of the markets are crucial in ensuring that the structural adjustments needed in Switzerland to maintain the country's competitiveness occur in good time. It is the companies themselves, as well as their staff, who have to rise to the challenge of their dynamic environment. It is primarily they who are responsible for identifying the direction in which markets are headed and for taking the appropriate decisions in terms of company strategy, but also in terms of where to work and what further training to take. One driving force behind these developments is the fact that, as was once the case in the manufacturing of goods, the provision of services must increasingly adjust to the reality of integrated markets, at least Europe-wide. As such, further market opening will take place, particularly in areas that traditionally belonged to the public or semi-public sector. At the very least, the creation of economic incentives will lead to increased steering of the use of resources.

Changing markets as a driving force of development

Against the backdrop of (global) environmental challenges increased innovation impulses for a modernisation of the economy on an ecological basis should be encouraged through incentives and the development of suitable framework conditions. The most effective measures are changes in economic and financial policy. One of the main demands is the introduction of real cost accounting for energy, mobility, waste disposal, the use of space and resources, by reducing direct and indirect subsidies and internalising external costs. Cost transparency creates incentives to improve environmental efficiency, and also results in cost savings. Technical advances are thus steered towards developing sustainable products and the optimisation of processes. Environmental technology and markets offer economic potentials, which in all likelihood will gain in importance in the 21st century.

Anchoring of market principles and cost transparency

The structural equilibrium of the federal budget is not assured in the long term. Structural reforms remain necessary across the full spectrum of the federal government's tasks. Some have already been decided and are in the process of being implemented – such as reform of the armed forces, the reorientation of agriculture policy and reform of the railways. In order to bring about a lasting stabilisation of federal finances, the whole high expenditure dynamic still has to be slowed down. A decisive factor in the stabilisation of the federal budget is the future development of social welfare. For years, this sector has seen the largest rates of growth and if no measures are taken to counter this trend, it could account for 40% of federal expenditure in as little as ten years (2005: 31%), which would entail significant pressures on other government tasks. A long-term consideration of financial policy is therefore needed. Financial planning over a four-year period is not sufficient. Longer term development scenarios should reveal development trends in individual areas, such as the impact of demographic ageing or climate change with their financial consequences, as well as possible steering and corrective measures, thus creating the required conditions for foresighted steering. The key challenge for financial policy is to break, in a lasting manner, the trend of generating debt, while at the same time preventing lacking or misplaced investment and insufficient preventive measures, in the fields of health or environment for example, from producing financial burdens for future generations.

Public sector management not at the cost of future generations

Challenges facing Switzerland (II): Ensuring social cohesion

According to the FSO's median scenario on population development, the age quotient, (65-year-olds and over in proportion to 20–64-year-olds) will rise over the coming decades from 25.7% (2005) to 50.9% in 2050. That means that where previously there were four people of working age for every older person, in future there will only be two people of working age for every one older person. Demographic developments require that we adapt to the idea of a "society of four generations". In future, the political authorities will

Upholding solidarity within and between the generations

increasingly have to pursue reforms which strengthen relations between the generations in all their aspects. The social security system and social policy are likely to face challenges in many respects in the medium to long term. It will be necessary to adapt the systems of provision for old age to demographic developments and a growing diversity of forms of transition from gainful employment to retirement (increased flexibility), without noticeably placing additional financial burdens on future generations. Furthermore, an increase in invalidity claimants is to be avoided, particularly among the young and on psychological grounds. In view of changing family forms, both the compatibility of raising children and working must be improved and new forms of risk arising from more unstable families must be better covered. Alternative concepts for reform must incorporate individual responsibility and prevention as well as welfare. At the same time, there is a need for greater coordination between social assistance and social insurance services on the one hand, and other state services on the other hand. Social policy in the narrow sense needs to be coordinated more systematically with policies on the labour market, on foreigners, health, housing, the family, education and taxation, if we wish to prevent, in a more targeted manner, certain groups from becoming actual poverty and disintegration cases.

Promoting integration

In addition to the abovementioned aspects of social cohesion, there are also further integration-related challenges. The social drifting apart and pluralisation of lifestyles are putting social cohesion to the test. However, these challenges also offer the potential for innovation. The aim cannot be to (re-)create a homogenous society, but must extend beyond merely assuring social peace, which in addition to mutual respect also requires a mutual interest between different social groups. A vital factor here is the integration of the migrant population, but also the equal treatment of minorities and an improvement in gender equality. Mutual understanding and respect for the cultures and lifestyles practised in Switzerland are decisively important for the cohesion of the country. First and foremost, the causes of inadequate integration must be identified in good time and tackled effectively. Secondly, the consequences of inadequate or failed integration must be alleviated and their consequential costs minimised: where there is little professional or social integration, there is a higher risk of unemployment, poverty, illness, addiction and criminal conduct, where in turn these risk factors can have the effect of reinforcing this disintegration. In order to avoid such negative spirals of disintegration as far as possible in future, the State has to establish a favourable framework for equal opportunities and participation in social and economic life free of discrimination. Important factors for successful social integration involve preventive approaches such as early learning, encouragement of languages, special programmes for the transition from school to work, programmes for the poorly qualified, as well as goal-oriented measures, which above all offer families from socially-weak and migrant backgrounds, concrete assistance to allow themselves to help them in everyday life. The prevention of violence is an important issue in the promotion of integration. However, further reaching efforts are needed, which promote the understanding of fundamental social values, irrespective of language, culture, time and space (e.g. greater political participation on the part of foreign citizens to voting rights for foreign nationals at communal level, which would particularly enable the conscious practising of federalism and direct democracy as an institutional framework). Culture and education play a key role in this respect.

Preventive and efficient ways of promoting health

While the state of health of the Swiss population in terms of life expectancy and mortality has never been as good as it is today, an increase in chronic illnesses can be observed, particularly as a consequence of excess weight (diabetes, cardio-vascular illnesses), smoking (cancer, lung problems) and other addiction-related, as well as psychological problems, e.g. due to greater workloads or related harmful working conditions. Until recently, healthcare provision was too exclusively oriented towards curative medicine. In future, there must be a change of emphasis towards the general state of health of the population, with increased weighting being given to the prevention of disease and the promotion of good health. It has not yet been possible to stabilise health insurance costs. Therefore, reforms which satisfy the needs of a changing society in a more targeted manner, and which on the one hand safeguard efficiency and competition, and on the other the quality of healthcare, are decisive. Particular attention should be given to eliminating all incentives, which contribute to extending the volume of medical services without being justified by the additional needs of an ageing society.

For a multilingual country such as Switzerland, with considerable social and religious diversity, cultural and social values, which are partially imparted through the education system, are an important prerequisite for social cohesion as they can provide something with which people can identify. The balance between the language communities, combined with a mutual recognition of different cultures, is an important requirement for maintaining social peace. Various developments bring with them the risk of a drifting apart of the language communities. The regions which exist beyond Switzerland's borders, and which are defined in terms of language and mentality, as well as in socio-economic terms, have a great deal of influence. This carries the risk of watering down specific Swiss identities, and of cultural images and ideals defined abroad becoming increasingly dominant. In future, the relationship between the four language communities could become strained if the economic development of the various regions were to progress at greatly different rates, or if the federal government were to take decisions which would disadvantage certain regions or language groups one-sidedly. The encouragement of national solidarity, active federalism and country-wide cultural projects are good ways of countering cultural and economic centrifugal forces and of strengthening national cohesion.

Promotion of education, culture and social values

Challenges facing Switzerland (III): Lasting preservation of basic natural resources

In order to drastically reduce anthropogenic interference with the climate system, there is an urgent need to stabilise concentrations of greenhouse gases in the atmosphere. According to estimates by climate specialists, worldwide greenhouse gas emissions will have to be reduced from present levels by up to 50%, and those of industrialised countries by 60–80%, below by 2050. Increases in emissions related to economic and population growth in developing countries, and particularly in newly industrialising countries, present a particular challenge, which can only be surmounted with the support of industrialised countries (e.g. in terms of technical cooperation). The increasing use of coal as a source of fuel e.g. in China could more than cancel out the contribution of developed countries towards reducing CO₂ emissions. In addition to efforts on reducing emissions, measures are also needed to take account of climate change. Alongside this major global issue, the necessary consideration must also be given to other forms of environmental pollution, such as water pollution, caused by chemical compounds and hormones, air pollution caused by fine dust particles, soil pollution caused by heavy metals and noise pollution.

Reducing the burdens on the natural environment

Fossil fuels cover around 70% of Switzerland's final energy demand. Apart from climate issues, supply problems could also arise in the coming decades. The likelihood of fuel shortages and increasing price rises in the future is growing, particularly as a consequence of the rapidly rising demand from newly industrialising countries such as China and India. Furthermore, the remaining supplies of oil and gas are mostly to be found in the world's more politically unstable regions. In addition to energy consumption, a further natural resource under threat is land. The amount of land being settled is still growing faster than the population. The continuing growth of settlement area per inhabitant manifests itself in increased developed areas and a progressive fragmentation of the land, compromising the ability to organise transport in a more resource-friendly manner and of maintaining or even improving the quality of urban life. This creates disadvantages in terms of Switzerland's international competitiveness.

Reducing consumption of non-renewable resources

It is becoming apparent that society's demands on forest products as one of the country's most important renewable resources are set to increase in order to count as a CO₂ sink for example. It is possible to recognise the trend towards rising energy prices, and the construction of large sawmills will lead to an increase in demand for wood. The trend reversal in terms of the use of forests will once again increase pressures on biodiversity. The development of biological and agricultural diversity will be characterised by the continual settlement and increased use of land area and the intensification of land use, especially in agriculture and tourism. Swiss landscape has been subjected to numerous changes mainly over the last few decades. These changes occurred in countless, small, barely noticed steps that have almost completely pushed natural landscape to the Alpine area, to marginal agricultural and forestry areas and to protected areas.

Sustainable use of renewable resources and nature

Reducing the risk of natural hazards

Damage caused by natural hazards has quadrupled in the last two decades. The intensification of land use in potentially hazardous areas and the increased vulnerability of buildings and installations (more valuable goods in storage, production facilities etc.) are responsible for this increase. A further reason can also be attributed to climate change. Further extreme occurrences should be expected in future. Hazard maps covering the entire country should be available in several years' time showing where settlements are at risk from flooding, avalanche, landslides or rock falls. These hazard maps are intended to serve as a basis for decisions on land use in areas deemed to be at risk. The implementation in spatial planning terms will require a great deal of work on the part of the cantons and communes.

Challenges facing Switzerland (IV): Strengthening international relations and guaranteeing security

Deepening relations with Europe

The bilateral agreements with the EU and the accompanying measures are of great importance for the economic development of Switzerland. At present, Switzerland's interests in its relations with the EU can largely best be served through their continual adjustment to new requirements and through Switzerland's independent policy. In order for Switzerland to achieve its aims in future, it will have to continue to have sufficient room for manoeuvre within the framework of the bilateral agreements, insofar as the EU's interest in seeking bilateral solutions with Switzerland remains. The permanent reviewing and improvement of Switzerland's policy towards Europe and its legal framework poses a key challenge. Over the next few years, the process of European integration is likely to develop in such a manner that the question of closer links will increasingly arise. The advantages of greater possibilities of participating in the shaping of decisions at the European level have to be weighed up against changes to the country's autonomous decision-making competencies, which would particularly affect the elements of direct democracy, the federalist structure, budget as well as economic and agricultural policy. Here consideration must also be given to the fact that Switzerland's autonomous decision-making powers might be further reduced in various areas if Switzerland does not join the EU.

Strengthening the UN and the universal legal framework

The role of the nation state is changing, and a system of multilateral governance is emerging. The international institutional regulations at global level in the areas of business / finance (World Trade Organisation WTO, World Bank, International Monetary Fund IMF), environment (multilateral environmental conventions) and social affairs (e.g. International Labour Organisation ILO) are developing in different ways. While the former e.g. thanks to the arbitration and sanction mechanisms of the World Trade Organisation WTO, enjoys the greatest commitment and penetration power, international regulations in environmental and social affairs are comparatively weak, heterogeneous and fragmented. Efforts should be made to strive for greater coherence and an equal standing of the institutional multilateral pillars. Since its accession in 2002, Switzerland has made use of its newly-acquired scope within the UN to uphold its interests and promote its foreign policy aims. Switzerland has a great interest in seeing a universal world order characterised by peace and freedom and governed by international law. The UN has a unique legitimacy and is the most important global forum in which States are able to address common problems on any theme. Switzerland therefore has an interest in continuing its commitment to reforms, which strengthen the organisation and ensure an efficient use of resources.

Ensuring security in a more diffuse environment

A conventional military attack against Switzerland is unlikely in the foreseeable future. The analysis of Switzerland's security is shaped by international terrorism, the proliferation of weapons of mass destruction (in the worst case scenario to terrorist organisations) and the cross-border consequences of regional conflicts and failed states (bases for terrorist organisations, refugee flows etc.). The term "security" is understood in a comprehensive and integral manner, in terms of ensuring security as a national and international, civilian and military joint task. As the dangers have become altogether more diffuse and complex, security policy needs to have a broader scope than in the past.

Poverty and inequality remain the key problems in North-South relations. They are the causes of many worldwide risks and are a threat to peace and security within and between states. Under the conditions of globalisation, the development policy agenda has expanded considerably in recent years. Coordination with foreign, security, trade, finance, agricultural, environment, and human rights policy is becoming urgent. The Millennium Development Goals set in 2000, are considered as cornerstones of a world order shaped by human rights and environmental considerations. The Millennium Development Goals oblige rich and poor countries to do all they can to eradicate poverty, promote human dignity and equal rights, and bring about peace, democracy and environmental sustainability. By setting quantifiable goals all countries and international organisations are called upon to act. All member states of the United Nations have committed themselves to achieving these goals by 2015. At the Millennium +5 summit in 2005, the focal points of international policy were again confirmed in three fields of action: Development (Millennium Development Goals), security (security policy conducive to development) and human rights (compliance with minimum standards).

Combating poverty effectively

Challenges (V): Ensuring the ability of the State and its institutions to act

The globalisation of the economy and of society leads to a closer interweaving of domestic and foreign policy. The degree of cross linking and the mutual dependencies between States and societies are now so great that there is almost no area of politics or life untouched by foreign influence. The distinction between "domestic" and "foreign" is blurred, and it will become increasingly important to raise national interests in an international context. Consequently, there is a need for coherence and coordination in upholding interests. But this raises fundamental questions with regard to the allocation of tasks and the mechanisms of exchanging information and coordination between sectoral foreign policies and foreign ministry policy. But also in terms of the coordination of the increasing foreign policy commitments between the federal government and other committed actors such as the cantons, the private sector or NGOs. The widely diversifying foreign policy activities require better coordination and transparency in terms of budgeting and financing. With the increasing importance of multilateral decision-making bodies and international political processes, there are also calls for the democratic legitimisation of international decisions.

Taking account of the increasing interweaving of domestic and foreign policy

Parallel to the reorganisation of financial equalisation and the division of responsibilities between the Confederation and the cantons (NFE) other shifts in responsibility for certain tasks are also taking place: Centralisation (e.g. hooliganism, code of criminal and civil procedure), increased cooperation between different levels of state and shared tasks (e.g. in education, health and police) as well as increased inter-cantonal cooperation (e.g. lotteries and gaming). The increased inter-cantonal cooperation in connection with the NFE also provides the possibility of gathering experiences of different forms of increased regional cooperation. The development of Swiss federalism is torn between various values: Emphasis on federal competition, locational and fiscal competition, as well as the values of the "federalistic laboratory" on the one hand, and the call or need for standardisation or greater horizontal cooperation and harmonisation on the other (e.g. less fiscal competition, call for harmonisation of school systems, uniform benchmarks in spatial planning and environment policy, promotion of weaker regions and outlying areas, partial standardisation in public procurement). Many forces are pushing for deeper cooperation between the federal authorities and the cantons, as well as at inter-cantonal level, not least for involvement in the further development of EU law and its implementation, e.g. with regard to the association agreements on Schengen and Dublin. Many challenges can only be surmounted if the federal government, the cantons and the communes coordinate their activities. Coordinated efforts on the part of several levels of state are, however, very demanding and repeatedly bring up difficult questions such as: Which level of state is ultimately responsible? How can the democratic participation of the different parliaments and the people best be assured? How can the cooperation best satisfy economic efficiency? Further reforms of the federal system will need to be examined in order to answer these questions. Particular consideration must be given to the further disentangling of tasks, new bodies and structures of cooperation, stronger inter-cantonal cooperation with burden

Further development of federalism

sharing, centralisation and boundary reform, as well as the setting out of constitutional principles for the allocation and execution of state tasks.

Conclusion

Coherence, coordination
and long term orientation

It is becoming increasingly apparent that in order to meet the ongoing challenges of the globalisation process, greater efforts will need to be made to harmonise policies if they are to be fit for purpose. The dynamics of global development mean that Switzerland is facing the challenge of increasing pressure in terms of international locational competition, which in turn is placing increased pressure on the economy, society and institutions to adapt. A core question concerns the matter of how to deal with those who are considered to have lost out in the process to adapt and integrate, and the related capacity to safeguard national cohesion. Social cohesion will also be put under strain by the phenomenon of demographic ageing and the increasingly complex questions of integration (value-related pluralisation, immigration). Efforts made to improve the quality of the environment and to simultaneously enhance economic efficiency have not yet been sufficiently coordinated. Despite advances in environmental policy, economic growth still implies the increased use of the environment and its resources. In view of increasing interlinking in terms of national and international developments, the demands for a coordination of domestic and foreign policy will increase in future. The prerequisites for coherent policy oriented towards the long term are the systematic investigation and consideration of the long-range and long-term consequences of state actions, an even greater shift from sectorally-oriented thoughts and actions to a more transverse approach, and the further improvement of inter-office and inter-departmental collaboration within the Federal Administration, as well as with the cantons, the communes and other relevant actors.

2. Analysis of Federal Government Policy Areas Basis for Challenges 2007–2011

2.1 Economy and Competitiveness

Economic policy and appeal as a location for business

The increasing globalisation of the world economy offers many opportunities; however, it also presents a major challenge due to the fact that to a large extent it cannot be shaped by individual states (→ **Annex A1**). The question arises of whether Swiss politics and society are adequately equipped to meet the challenge of global change. The issue of Switzerland's ability to adapt was raised some time ago against the backdrop of the lengthy economic downturn¹ and is illustrated by the example of agricultural policy. In order to further increase prosperity in the future, Switzerland, along with all other countries, must press ahead with structural change, guarantee overall economic balance, promote Switzerland as a business location, continue liberalising foreign trade and preserve labour market flexibility.

Economic stagnation of the 1990s:

Is this a sign of declining international competitiveness?

Economic reforms

In terms of growth determinants, Switzerland is slowly losing its advantage over other industrialised countries. Some small European countries have already surpassed Switzerland in terms of individual growth determinants. In order to maintain its favourable welfare position in the future, Switzerland needs to make government and economic reforms. Switzerland can thereby partially draw on the experiences of other countries that are currently demonstrating greater economic dynamism.²

Competitiveness:

Increasing competitiveness by increasing productivity
The appeal as a location for business is becoming more important for internationally mobile production factors

The decisive factor for the level of prosperity and the way it evolves over time is total economic productivity growth, which in addition to real capital formation and qualified labour mainly reflects the economic implementation of technological and organisational innovations. Increasing Swiss competitiveness so as to at least maintain the high level of real wages, and if possible increase them, will only be possible by improving productivity across the entire economy. The Swiss economy must use its specific strengths to aim to benefit in the best possible way from the opportunities of specialisation and exchange offered by the world economy. In addition, in the context of the globalisation processes and the development of European integration, Switzerland must also provide economic conditions to attract increasingly international mobile factors of production (capital, highly-skilled labour, technical know-how), that contribute to the productivity of fixed local factors (land, skilled and unskilled labour, infrastructural facilities, legal, societal and ethical norms). Appeal as a location for business is therefore not the same as competitiveness, but is nonetheless an important determining factor for competitiveness.

Important reform measures have been set in motion with steps toward liberalisation in the telecommunications and postal markets and greater competitiveness in public transport (railway reforms) (→ **Transport Policy**), some of which have already taken place and others of which are planned. The same also applies to the reinforced competition law and to the improved regulatory environment. It is worth pointing out the entry into force of the bilateral agreements with the EU. The implementation of these reforms in the coming years is an important condition for maintaining Switzerland's appeal as a location for business. The effects of these agreements on economic growth should become increasingly noticeable in the coming years.³ Further reforms of this development process include the Agriculture Policy 2011, the second reform of corporate taxation, as well as the other measures of the Federal Council's economic policy concept.

Initiated reforms:

Numerous steps toward liberalisation have taken place
Further reforms are necessary

Today, large portions of the cross-border movement of goods have been liberalised, with the exception of trade in agricultural goods. The continuation of agricultural reform will therefore be of crucial importance (→ **Agriculture Policy**), not only in view of the success of the rounds of WTO negotiations, but also for the purpose of developing bilateral agreements with the EU and various other countries (→ **Foreign Economic Policy, Foreign Policy**).⁴

Pan-European and global liberalisation of services is producing results beyond financial markets

The competition for financial services will continue to increase with the globalisation of capital markets and with economic and monetary union. The trend towards cross-border opening will also intensify in other service sectors. New technologies have the effect of strengthening the increasing trend towards internationally networked economic transactions and facilitating in particular the exchange of corporate and financial services. Previously protected sectors, such as infrastructure services, are however also increasingly being opened to transnational competition and private investors. A comparison of the state of liberalisation of the service sectors in Switzerland and those in the EU⁵ shows significant growth potential for Switzerland with the increasing opening of the service sector.

In the case of many of these reforms it will be important to see how the goal conflicts that may occur with other areas of policy (e.g. environmental pollution, quality of life in large cities, provision of basic services in outlying areas, social and political stability, and unemployment) can be resolved. (→ **Energy Policy, Environment Policy, Spatial Planning Policy, Social Policy, Labour Market Policy**). Market integration is therefore making special national approaches and political blockages increasingly problematic and costly.

Ensuring overall economic balance

Monetary policy:

The Swiss National Bank can pursue its autonomous monetary policy

The creation of economic and monetary union has not yet become a stabilisation policy challenge for Switzerland. There has been no targeted speculation against the Swiss franc. The impossibility of parity shifts between eurozone countries has instead led to an increase in monetary stability in Switzerland. The single currency, however, represents a significant challenge to economic development in some member countries. Shifts in real exchange rates need to be established on the basis of wage and price dynamics that are adequately differentiated by country, which only succeeds to a limited extent and additionally hinders the development of the larger EU countries in particular. In addition to the new requirements for the functioning of the product and labour markets, the balancing of the budget is also continuing to prove difficult in many European countries. A good and stable macroeconomic environment (low inflation, stable currency, healthy public finances), however, is also particularly important to Switzerland.

Economic cycle policy:

It makes sense to reinforce cooperation between the Confederation and the Cantons

In Switzerland, the federal government in particular had substantial difficulty in balancing the budget at the beginning of the previous legislature. Coordination between the cantons and the Confederation in the area of stability policy could be improved, e.g. by adopting economic cycle-based budget rules on a cantonal and communal level (→ **Constitution and Institutions**). However, a lack of statistics on the regionally differing development characteristics of the economy makes it difficult to implement fiscal rules locally (such as the current debt brake at federal level). In addition, the cantons' budgetary power needs to be protected. Successful cooperation therefore requires voluntary cooperation. The debt brake, which has been applied since 2003, will reveal whether and to what extent the Confederation is capable of making the right decisions based on these stability and growth policy conditions (→ **Financial Policy**). A conclusive assessment of this instrument can only be conducted after the course of one or more economic cycles, in order to establish a comparison with the previously applied financial policy. Certain effects of the debt brake are already evident today. This has made it possible to adopt broad stabilisation measures in a very short period of time (relief programmes 03 and 04). At the same time, a comprehensive strategy was defined for the rehabilitation of the federal budget. Furthermore, the measures were implemented, even though the Swiss economy was only in an economic recovery phase. This suggests a trend towards a countercyclical budgetary policy.

Foreign trade balance:

Significant stabilisation risks associated with the global economy due to higher balances of payments and commodity prices

The growth of global financial markets has continued uninterrupted. The balance of payments of individual world regions, however, continues to carry a serious potential for destabilisation of the global economy. The risks are clearly manifested in the deficit of the US balance of payments, which reached a new all-time high in 2005 with 6.5 per cent of GDP. Although this deficit is financed relatively easily by cash flows from the surplus countries (mainly in Asia), international financial markets are still subject to abrupt turn-arounds associated with the decline of the dollar. A further stabilisation risk is the high commodity prices. The world economy was able to cope with the rapid increase in oil

prices of the last few years noticeably well due to the tamed inflation and markedly favourable financial conditions (record low interest rates!). It remains to be seen, however, how this situation will evolve in the event of increasing interest rates.

Promotion of Switzerland' quality as a location for business

By international comparison, Switzerland still offers favourable conditions as a location for business. This is possible because Switzerland boasts a high degree of legal certainty, advanced scientific and technological knowledge, a highly-qualified and productive workforce, management efficiency, an efficient financial centre, a high quality of life, social and political stability, low cost of capital, low taxation burden and is centrally located in Europe with good international transport connections. In addition, the Swiss domestic market has a solid purchasing power. Nevertheless the weakness of economic growth in the 1990s demonstrated that the vitality of the Swiss economy has fallen.⁶ The deliberate attention given to various locational factors (such as tax environment, access to markets and knowledge, qualified personnel, legal framework for corporate activities, use of modern information and communications technologies, high quality range of cultural offerings) is therefore becoming increasingly important.

The proper implementation of the intended measures (debt brake) should allow Switzerland to offer attractive fiscal conditions even in the medium term, without significantly compromising other important location factors while tackling restructuring goals on expenditure (→ **Financial Policy**). Location competition in the EU, which has intensified following the rise in capital mobility and the dismantling of market access barriers within the EU, has meant that the taxation burden of a location as a cost factor receives greater weighting in investment decisions. The rise in capital mobility has led to a tendency in all European countries to shift the taxation burden from mobile to fixed factors of production.⁷ This situation has been advantageous for Switzerland, which still has one of the lowest corporation tax rates among OECD countries.⁸ To avoid possible harmful tax competition the EU has developed a code of conduct for corporate taxation. Similar efforts have also been launched in the OECD. In addition, the EU is considering the creation of a jointly consolidated basis for assessing corporation taxes.⁹

The Swiss financial industry needs to stand its ground in an innovative, dynamic and global competitive environment. The challenges facing the financial centre do not only result from market developments, but also from the rising importance of institutional savings, namely the management of pension fund monies by state welfare institutions, insurers, pension funds and banks. The state regulatory framework in a broad sense (macroeconomic as well as monetary and financial stability, regulation and supervision, fiscal requirements, adequate protection of confidentiality, etc.) has a strong impact on business and therefore also on the competitiveness of this industry. These locational and success factors for the financial centre must be preserved. The financial sector produces around 14.5% of the value added by the Swiss economy.¹⁰ It is important to maintain an adequate ratio between economic freedom and regulation. Appropriate policy measures need to be designed as clear-sighted and predictable as possible. Legal certainty and planning are important, precisely in the strictly regulated financial operations. Predictability of the macroeconomic, legal and institutional regulatory framework is one of Switzerland's traditional strengths and provides a solid foundation for the long-term success of the financial centre. It is, however, also the state's responsibility to continuously monitor and modernise the regulatory environment for the financial industry. It is in Switzerland's greatest interest to guarantee the reliability and efficiency of the financial system in the long term, using greater regulatory standards of quality and competent supervision. This also creates the basis for financial market stability.¹¹

Market access is a central location factor. The implementation of the bilateral agreements with the EU and of the accompanying measures is therefore of great importance for the economic development of Switzerland. The implementation of the bilateral agreements has improved market access for Swiss companies to the EU single market. At the same time, this single market has grown due to EU enlargement. Switzerland's integration into

Switzerland's appeal as a location for business:

Should remain intact in the medium term, if the initiated reforms succeed as planned and if additional improvements are dealt with

Taxation burden:

Ensuring attractive fiscal conditions in the medium term by implementing the debt brake

Tendencies of increasing capital mobility indicate a need to address corporate taxation

Stable framework conditions and opening markets to foreign entrants are particularly important

European policy remains crucial to maintain appeal as a location for business:

The bilateral agreements have improved integration

in the European single market

The free movement of persons with the European Union improves Switzerland's appeal as a location for business

the single market via bilateral agreements, however, is not yet complete and is furthermore exposed to incalculable political factors. The more the continental integration process moves ahead, the more noticeable it becomes that Switzerland is the last remaining third country in Western Europe that is not part of this single market. This poses a potential threat to Switzerland's appeal as a business location (→ **Foreign Policy**).

The progressive introduction of the free movement of persons will create new opportunities for the Swiss in the EU. This increases the risk of the highly-qualified professionals moving to other labour markets, while it makes recruiting qualified professionals on the domestic labour market easier (→ **Labour Market Policy, Migration Policy**).¹²

The extension of the Agreement on the Free Movement of Persons to the new EU member states is also expected to have positive economic effects. Negative effects on the labour market could be absorbed by the transitional periods up to 2011 and by the accompanying measures on the free movement of persons, so that the positive aspects for the Swiss labour will also prevail in this area.¹³

Access to worldwide technological knowledge:

Ensuring attractiveness of Switzerland as a location for business and taking further steps in integration policy

Access to worldwide technological knowledge is of particular importance to an economy as small as that of Switzerland. In reality, technology transfer (→ **Research Policy, Education Policy**) is almost always bound to economic transactions, either in the form of trading capital goods and intermediate products into which the new technologies are integrated, or in the form of direct foreign investment.¹⁴ Access to the European single market, the free movement of persons as well as locally available jobs and knowledge have a decisive impact on the possibilities of establishing activities generating a significant added value in Switzerland (→ **Foreign Policy**).

Research, education and technology policy:

Continuous improvements remain a key factor for Switzerland's appeal as a location for business

Reorientation of Research Policy, Education Policy is necessary for tapping the full potential of a qualified workforce

The erosion of intellectual property rights needs to be addressed, without restricting innovative ability

A crucial factor in maintaining Switzerland's appeal as a location for business remains the high productivity of the Swiss workforce. Switzerland must constantly work towards maintaining this advantage, and it must do this against a competition that has also become aware of the importance of high quality education, the integration of young people into the professional world, continued education and good relationships between employers and employees. A largely diversified pool of well-trained, motivated skilled personnel and innovative engineers and scientists makes a decisive contribution to rendering a location for business attractive to potential investors. Furthermore, the key factors for providing a business location with a competitive edge on an international level are the level of training, motivation and innovation of the work force. While fiscal advantages of a business location can principally be reproduced, the opportunity to establish its prospects, profile and uniqueness depends on the know-how of its highly-qualified professionals and on the cultural diversity. This is the only way a business location can obtain an advantageous position on the worldwide value chain. The direction of Research Policy, Education Policy and Cultural policy (→ **Research Policy, Education Policy and Cultural Policy**) from 2008 to 2011 will be just as important for promoting Switzerland's appeal as a location for business as tapping the full potential of gainfully employed persons in Switzerland in terms of qualifications (→ **Labour Market Policy**) and compensating for any lack of qualified workers through immigration (→ **Migration Policy**). Finally, in view of the close ties between intellectual property rights and innovation, an erosion of intellectual property rights (in particular patent protection) in Switzerland needs to be addressed without, however, taking competition-restraining measures and restricting the innovative ability¹⁵ (→ **Research Policy, Education Policy**).

Improving basic conditions for SMEs:

Promoting start-up companies requires better availability of venture capital

Administrative relief

The need to create more innovation-friendly conditions, especially for SMEs, will continue to gain in importance, both for employment and for the orientation of the economy towards new business areas. Improved availability of venture capital will also contribute to the successful promotion of start-up companies.¹⁶ Administrative relief measures, especially for SMEs, were introduced by improving coordination between administrative agencies, by simplifying procedures in all areas of official decisions and approvals, and by creating improved information opportunities. Here as well, there is a demand for ongoing efforts to continue and consolidate the measures adopted in 1999.¹⁷ In terms of approval procedures executed on a cantonal level, it would be worthwhile to determine whether there are any obstacles in cantonal building law and how they could be reduced if necessary (→ **Spatial Planning Policy**).

Worldwide networking and the use of new information technologies are opening a broad new range of information and communications opportunities to the population, the government and the economy. In addition to the progressive deregulation of the information and communication markets, it will be necessary to continue implementing subsidiary regulation to provide users and information providers with open and equal access to information technologies and services, to guarantee legal certainty and to prevent and dismantle any concentration of power in these markets (→ **Constitution and Institutions**). With the revision of the Telecommunications Act and the Radio and Television Act in 2006, Switzerland established the legal structures required to take account of the foreseeable developments in the electronic media market. Lawmakers have thereby taken into account the phenomenon of the increased merging of information streams and advertising content, and harmonised the two acts. At the same time, the concept of a comprehensive basic provision of services guarantees that all sections of the population in all parts of the country can benefit from a guaranteed, high quality and affordable basic provision of telecommunications services. Basic provision is therefore a subsidiary instrument intended to take effect in situations where the market is unable to satisfy basic customer needs (→ **Spatial Planning Policy**). The next step will be to ensure the consistent implementation of the changes adopted by lawmakers to the Telecommunications Act and the Radio and Television Act, and to make sure Switzerland keeps up with the rapidly progressing international developments. The entry into force of the Federal Act on Digital Signatures on 1 January 2005 fulfilled an important prerequisite for encouraging electronic business (e-commerce, online-banking, etc.) in Switzerland. Other business-relevant legal aspects such as copyright and consumer protection, the main problem that arises is the implementation of existing law, especially in an international context (→ **Foreign Policy**). One location factor that will increasingly become more important in the coming years is the opportunity for companies to conduct all their dealings with public institutions electronically. The public authorities need to create the necessary conditions and develop the corresponding services (e-Government) (→ **Constitution and Institutions**).

In addition to tapping into the possibilities offered by the new information and communications technologies, the attractions of a business location also include a wide selection of high quality cultural offerings. By promoting its cultural policy with a large selection of cultural highlights, the federal government also broadens its profile as a business location. Cultural policy does not only contribute to the welfare and the quality of life of the entire population, but also has a positive influence on business enterprises looking for a business location, and thereby also contributes to Switzerland's security as a business location.¹⁸ The federal government's promotion of culture, as is provided for in the KFG, therefore also pursues the aim of making increased use of culture as an economic factor.

Foreign Economic Policy

Interdependencies between Switzerland and foreign countries are so great that domestic economic policy and foreign economic policy can no longer be considered separately (→ **Summary**). Every measure oriented towards the domestic economy has an impact on the access of foreign suppliers to the single market, on Switzerland's quality as a business location and on Switzerland's competitiveness in comparison with other countries. On the other hand, foreign economic policy affects the domestic market. International rules therefore no longer only regulate goods until they reach the border; they also cover the marketing of these goods on the domestic market, the international movement of services and capital, the mobility of labour and the protection of intellectual property. The challenge lies in taking these interdependencies between national and international policy into account. The Federal Council has therefore adopted a three-dimensional strategy for foreign economic policy: First of all, access to foreign markets should be improved and international economic law developed; secondly, the strategy is aimed at the Swiss domestic market and thirdly, the economic development of the partner countries should be promoted based on an approach tailored to these countries. It is essential for an exporting country like Switzerland that foreign markets are as open as possible. Improving the access to these markets implies, on the one hand, dismantling obstacles to cross-border trade, and, on the other hand, creating stable and predictable general condi-

Information and communication markets:

Assurance of legal certainty and network access through appropriate subsidiary regulation

Consistent implementation of the reforms adopted to promote competition in the telecommunications sector

Internationally coordinated approach necessary

Foreign economic policy 1:

National and international economic policies are increasingly interrelated

Switzerland is taking a pragmatic approach to its integration in the European markets (European single market and markets of the other European countries)

tions at international level. Switzerland therefore participates in multilateral bodies that determine economic rules (WTO, OECD, IMF, World Bank, UNCTAD) and that at the same time also serve as forums for negotiation between trading partners (particularly the WTO). The activities Switzerland is developing at this level are actually the most effective way to procure access to markets in as many countries as possible. The work in the WTO is, however, often highly complex and protracted, which is portrayed by the adjournment of the Doha negotiations of summer 2006 to an indefinite period. The search for a compromise is hampered by the differences among the main actors – no longer only the US and the EU – and by the structures and procedures of an institution that now has 150 member states.

The signing of the new free trade agreement will presumably require greater flexibility in terms of agriculture

In addition to pursuing a multilateral approach, Switzerland is also continuing to pursue the approach of integration in the EU and EFTA markets. The member states of these markets are and remain by far Switzerland's most important economic partners. Switzerland has both a material and a non-material interest: Integration in the EU single market and solidarity with other countries of the European continent are both primary concerns of Switzerland's European policy. Even though Switzerland is strengthening relations with the EU, it still preserves its independence, its decision-making freedom and its institutions. As indicated in the European Report 2006, Switzerland is pursuing a pragmatic approach and is striving to rapidly implement and to develop the existing sectoral agreements.¹⁹ Switzerland also intends to extend its network of bilateral and multilateral agreements with third countries and thereby rule out the possibility of being put at a disadvantage to important competitors on foreign markets. If the new bilateralism continues to accelerate, Switzerland will need to expand its trade relations with important and specifically non-European partners, and try to negotiate free trade agreements with them. Switzerland will in future need greater flexibility in the field of agricultural negotiations in order to conclude free trade agreements that cater to all sectors of the economy with economically important third countries (→ **Agriculture Policy**).

Economic development cooperation aims for sustainable economic growth in associated countries

Switzerland takes into account the principles of sustainable development in its sectoral policies

Economic development cooperation is an essential component of Swiss foreign policy. The overriding aim is to make a contribution to the sustainable development of the world. Switzerland is primarily interested in contributing to poverty reduction, promoting human security and contributing to strengthening the global governance institutions (international financing institutions, United Nations, WTO, environmental regulations). Through this commitment, Switzerland takes into account the advance of globalisation and makes a contribution toward strengthening coordination and harmonisation among donor countries. Switzerland is thereby also able to make a major contribution towards the achievement of the UN Millennium Development Goals and to reduce migration pressure (→ **Migration Policy, Foreign Policy**). In the medium term, the developing countries are important partners in terms of market outlets for the Swiss economy and in terms of a source of supply to cover our demand. This is why economic development cooperation aims to contribute towards sustainable growth and to promote basic economic conditions and the necessary institutions in the partner countries, in such a way as to enable these countries to benefit from integration into the world economy. Switzerland has therefore been actively involved in the economic dialogue within the international economic organisations (OECD, Bretton Woods institutions, WTO, ILO, etc.), which, through their monitoring activities, greatly contribute towards the coherence of the policies of their member countries. Switzerland is actively pursuing environmental protection (→ **Environment Policy**) and development aims on a domestic level as well as in multilateral bodies, and is striving to anchor the principle of sustainable development in the largest possible number of sectoral policies (→ **Sustainable Development**).

Foreign economic policy 2:

Switzerland continues to take steps autonomously and on a contractual basis towards opening the single market

Negotiations for a service agreement with the EU are

The acceleration of international exchange mainly affects five economic categories in Switzerland: agricultural and industrial goods, services, investments, workers and intellectual property. The focus is on agricultural goods which still enjoy a great deal of protection. WTO negotiations are currently blocked. It is therefore in Switzerland's interest to step up efforts to extend the exchange of agricultural goods with the EU. (→ **Agriculture Policy**). Multilateral talks on industrial goods are at square one. In addition to tariff barriers, there are numerous other barriers that hinder trade in goods. Switzerland must therefore continue to work towards opening the single market autonomously and on a

contractual basis, if it wants to effectively fight the high product prices in Switzerland. The conclusion of free trade agreements with non-EU countries and the implementation of the Cassis de Dijon principle with the EU are leading to this goal. It is surprising that in terms of trade in services, revenue from service exports in comparison with revenue from goods exports only amounts to 35 per cent, even though the tertiary sector generates 70 per cent of gross value added in Switzerland. Switzerland will press ahead with using this potential by concluding comprehensive free trade agreements and pursuing its multilateral efforts. The issue of resuming negotiations with the EU on the service sector will be discussed in due course. Major work lies ahead, to bridge the gaps to ensure access to the capital market and to bring the investment protection agreements up to date. Even when access to foreign markets is guaranteed by contract, it is not always easy for Swiss companies, especially for SMEs, to operate internationally. Switzerland has several export promotion instruments to deal with this issue, allowing SMEs to establish export strategies and to diversify markets for their products. These efforts need to be coordinated. In terms of access to the labour market, the main focus is on Switzerland's relations with the EU. Switzerland must ensure that the Agreement on the Free Movement of Persons is extended to the new EU member states of Romania and Bulgaria. In terms of the General Agreement on Trade in Services, Switzerland is striving to reach solutions with third countries in particular for senior management staff and experts. However, Switzerland needs to brace itself for the offensive interests of the aggressive interests of the more important trade partners, such as India, with whom it would like to conclude bilateral agreements. Regarding to intellectual property, improving the implementation and the application of the agreement on trade-related factors of intellectual property rights is high on the list of priorities. Medication for AIDS and other pandemics should be made more easily accessible according to WTO provisions. These provisions should be adopted by national legislation. (→ **Health Policy**). Another task of foreign economic policy is to make Switzerland attractive to foreign companies, including multinational companies. The creation of a business establishment and the related local production are part of the division of labour within a company. This makes it possible for the company, its employees and consumers to benefit from the advantages of both countries. Swiss direct investments abroad are far greater than foreign investments in Switzerland. According to the OECD, the Swiss market is still too fragmented, thereby not allowing foreign businesses to reap benefits of scale. Reforms on the domestic front are essential to ensure the positive development of the financial centre and of both domestic and foreign investment. An increase in the intensity of competition on the Swiss domestic market due to import competition will improve the competitiveness of Swiss businesses, which will benefit these businesses both on the local market and on foreign markets.

International cooperation within the context of international bodies, such as the International Monetary Fund (IMF), the Bank for International Settlements (BIS) or the Financial Stability Forum (FSF) helps to bridge the coordination gaps in state business. This improves the means to prevent and combat transnational instabilities and abuses of the financial systems. The financial systems of some countries are more at risk in the event of local or regional bank or currency crises. The financial system is also at risk when states try to obtain market shares through faulty regulation and supervision (regulatory arbitrage). The creation and further development of recognised minimum standards in the financial sector is an approach to improving the international rules that strengthens the protection of the system and its operation at both national and international level. In view of its particular interest in a stable global financial system and in regulated international financial relations, it is important for Switzerland to become involved on more fronts. One of Switzerland's central concerns is maintaining international financial stability, which it emphasises by its active membership in the BIS, the FSF and the IMF. Switzerland heads a constituency group in the International Monetary Fund (IMF) (and in the World Bank), on behalf of which it holds one of the 24 seats of the Executive Board, which is the executive body of the IMF. This allows Switzerland to actively take part in the orientation of IMF policies. The primary interest of Switzerland's membership of the IMF is to support a stable and operational international financial and currency system. This includes implementing a solid financial policy, a stability-oriented monetary policy and an economic structural policy in the different countries. In addition it is very important to increase supervision activities, create and develop standards and codes, and ensure transparency.

expected to be resumed
in due course

Safeguarding of measures
to coordinate promotion
of exports

Implementation of the
agreement on trade-related
factors of intellectual prop-
erty rights takes priority

The development of a
financial centre that is ad-
vantageous for both domes-
tic and foreign investors
requires internal reforms

Financial foreign policy:
Active cooperation in inter-
national bodies

Labour Market Policy

The labour market is highly relevant to society:

By international comparison the productivity of the Swiss labour market is above average

The labour market is highly relevant to society: labour is both a key production factor for companies and generally the most important source of income for the working population. At the same time, however, it also provides social identity and recognition. Due to the variety of its functions, the labour market has a crucial role in society. By international comparison the productivity of the Swiss labour market remains high.²⁰ In spite of the long period of recession during the 1990s, Switzerland was able to sustain its employment rate at a high level. A positive feature by international comparison is the high employment rate for older gainfully employed persons (age 55–64). In EU-25 and EFTA countries, only the Nordic countries including Denmark, Sweden, Iceland and Norway reach similarly high or higher employment rates for this age bracket. By international comparison, the employment rate for women is also very high. Compared to the beginning of the 1990s, the unemployment rate rose in Switzerland, but is currently still at a low level compared to other countries.²¹ On a positive note, this also holds true for the youth unemployment rate.

New labour market-related challenges:

Demographic and technological developments

Progressive internationalisation

Several developments will increasingly challenge the Swiss labour market in the medium term, namely demographic change, and consequently slower growth and accelerated ageing of the labour force, progressive technological development, which requires continually adjusting the workforce to new work situations, and the continuation of the international division of labour, which forces the economy to constantly adjust its structures in accordance with the situation of international competition. These developments create both new opportunities and risks for businesses and employees, which are explained in greater detail in following sections.

Labour market flexibility:

High level of labour market participation and low unemployment

By international comparison, the Swiss labour market is very flexible. This is considered to be a major reason for its high productivity, as well as for its high level of labour market participation and its low unemployment rate. The high flexibility of the Swiss labour market is the result of various factors, including labour law, social networks (and the incentives they create), social partnerships and Education and Immigration Policy.

Labour Law:

Labour law contributes to the high labour market flexibility in Switzerland.

The implementation of the accompanying measures on the free movement of persons will continue to represent a definite challenge in the future

Labour law is a major element, which can be described as moderate by international comparison. For example, legal protection against wrongful dismissal is more restrained and working-time regulations are more liberal in Switzerland than in many EU countries. In Switzerland, the social partners are responsible for wage development and the negotiation of working conditions rests, while the state does generally not intervene in this process. There is no statutory minimum wage in Switzerland. The challenge for labour law in the years to come will also consist in a targeted defence of legitimate workers' rights, without compromising the advantage of the high flexibility of the labour market. The accompanying measures of the free movement of persons to and from the EU provide an important new labour law instrument for the protection of Swiss employees (→ **Migration Policy**). The both consistent and cautious application of these measures will be decisive for maintaining the advantage of a flexible labour market.

Unemployment Insurance (ALV):

The ALV is a tried and tested system and increases the flexibility of the Swiss labour market

Unemployment insurance (ALV) is also an important pillar of the Swiss labour market policy. It is designed to support people who sign up at a regional employment centre to find a new job, to examine the conditions governing entitlement to unemployment insurance benefits as well as individual job search efforts and to provide labour market measures when they are necessary to ensure swift and sustainable reintegration into the labour market. Through its different activities, the ALV also makes a significant contribution towards the maintenance and the promotion of labour market flexibility in Switzerland. The Swiss unemployment insurance fund has proven itself in its present form, whereby it will not require any sweeping reforms in the years ahead. A challenge for the ALV will, however, consist in guaranteeing the long-term the fundability of the system. One of its permanent tasks includes conducting an ongoing critical appraisal of the efficiency of the instruments applied, such as the Active labour market policy.

Social partnerships:

Sound social partnerships are a key factor

Social partnerships play a significant role for the Swiss labour market and their smooth functioning is another key success factor of Swiss labour market policy. Good social partnerships result on the one hand in labour relations that have been peaceful for many years

with a low number of strike days, and on the other hand, in a wage policy, which generally takes into account the economic situation of individual sectors and companies and therefore has a positive impact on the employment trend in Switzerland. A true open dialogue between social partners should not be taken for granted, and needs to be constantly maintained and kept alive. For the federal government, this means continuing close collaboration with the social partners in defining labour market policy, and making sure these partners assume their share of responsibility for creating good working conditions. Here too, the implementation of the accompanying measures will be one of the most important fields of activity in the coming years.

to success of the Swiss labour market policy, and need to be fostered

In terms of available manpower, it should be noted that the education system is a central success factor. The dual vocational training system enables companies themselves together with vocational schools to ensure that there are enough up and coming qualified professionals. The baccalaureate, along with the various types of training at tertiary level, provides the Swiss labour market with a highly-qualified workforce and the next generation of young scientists. The system of career-oriented advanced training allows the workforce to continuously adapt to new qualification requirements. The education system is of course also constantly faced with new challenges at all levels (→ **Education Policy**). Problems exist at the various points at which the education system and the labour market meet. According to the 2003 PISA study, 16 per cent of 15-year-old schoolchildren achieve only basic reading skills.²² This severely hampers the transition of these young people into vocational training. Even once they complete vocational training, entering the world of work is not always trouble-free for these young people. Even though the absolute level of youth unemployment in Switzerland is still low in comparison to other countries, it has increased in recent years in relation to the level of total unemployment.²³ In addition, it continues to be more sensitive to economic fluctuations than overall unemployment. In addition, demographic developments will not provide any significant relief in the coming years: According to a baseline scenario on population trends in Switzerland, young people between the ages of 15 and 24 will continue to increase every year until 2011, although at a slower pace.²⁴ Due to immigration policy's previous orientation towards a poorly qualified workforce, foreign nationals in Switzerland often have a lower level of qualification. This educational disadvantage also has an impact on the children of these immigrants. A history of migration in the family, social status as well as the language spoken at home are among the most important factors that explain the differences in reading performance. That is why foreign nationals are target group that needs to be closely observed with regard to integration into the labour market. This particularly applies to persons seeking asylum, for whom integration into the labour market partly due to their partially poor qualifications, physical and psychological problems, insufficient knowledge of the national languages or false incentives in terms of social assistance cause special difficulties (→ **Migration Policy**).

Adapting to new qualification requirements:

The education system is vital to the labour market
Youth unemployment – Interface problems between the education system and the labour market
Former immigrant generations have a low level of qualification

Migration policy, however, generally plays a very important and positive role for the development of the labour supply in Switzerland. The main focus of migration policy in terms of the labour market is currently the recruitment of moderately to highly-qualified workers. The possibility to hire staff from abroad is extremely important for an economy as small and open as that of Switzerland. Maintaining and making purposeful use of this advantage – for example, in the course of the future EU enlargement rounds – will one of the challenges of the years to come (→ **Foreign Policy, Migration Policy**).

Migration Policy:

Is vital for the labour supply

On 1 April 2006, the protocol extending the freedom of movement to the ten new member states that joined the EU in 2004 and the reinforcement of the accompanying measures entered into force. EU enlargement²⁵ is economically beneficial for Switzerland by providing access to an enlarged single market. This step ensures regulated conditions for Switzerland's trade relations with the EU. New opportunities for firms to recruit suitable workers promote economic growth and strengthen the Swiss labour market.²⁶ (→ **Economic Policy**). The revision of the accompanying measures also improved employee protection (→ **Labour Market Policy**).

Since the entry into force of the Agreement on the Free Movement of Persons, there has only been a minimal impact on the labour market for the domestic workforce. The

currently available data indicate that migrant workers from the EU-15/EFTA are predominantly hired to complement the domestic workforce (and not to replace Swiss workers). In addition, there has been no indication of wage pressure, which among other things can be attributed to the accompanying measures. The horticulture sector is an exception because it is not covered by the collective agreement.²⁷ The free movement agreement has varying effects on regional migratory movements. Since its entry into force, the Lake Geneva region, Ticino and Eastern Switzerland have recorded above average growth in migration from the EU-15/EFTA-region (→ **Labour Market Policy**).

The constant monitoring of the effects of the free movement of persons on the Swiss labour market is crucial because in 2008, parliament will decide (subject to referendum) on the continuation of the free movement agreement.

Increased participation in the labour market:

Mitigating the effects of demographic ageing
Growth factor

One of the aims of labour policy is to maintain the participation of the population in the labour market as high as possible and even increase it compared to current participation rates wherever possible. This aim derives, on the one hand, from the challenge of demographic ageing, which if no measures are taken can lead to significant problems in the financing of old-age insurance systems. On the other hand, a high labour market participation strengthens Switzerland's economic efficiency in general, and should therefore also be aimed for from a growth policy perspective. With regard to high or increased participation in the labour market, there are a number of target groups, which will constitute a particular challenge to politicians in the years ahead.

Older workforce:

Maintaining capacity and the willingness to work

Older workers are the first target group.²⁸ Their participation in the labour market is very high in Switzerland by international comparison, which leaves a smaller potential for increasing this participation in comparison with other countries. In recent years, however, there has been a trend toward early retirement due in particular to the very high standards of occupational pension schemes. Should this trend become more widespread, the problems related to demographic ageing will become more and more pronounced. The challenge in the coming years will consist in maintaining a high level of participation through a wide range of measures. This will require amending social legislation in order to create incentives that allow workers to extend their time of employment and do not hinder them from postponing their retirement date. In addition, it will be necessary to structure working conditions in a senior-friendly way and to improve health requirements for older employees as well as their employability, for example, using retraining measures.

Reconciling work and family responsibilities:

Increasing the participation of parents in the labour market (especially mothers)

The second target group comprises persons with parental responsibilities, which they are unable to combine with paid work or only with great difficulty.²⁹ Today, many parents, primarily mothers, work less than they would actually like to, or give up their professional lives temporarily or permanently, even though they would like to continue working. The employment rate of women in Switzerland is high in comparison to other countries. However, the majority of these women work part time, which means there is still a considerable potential for increasing their volume of work. Improving the compatibility of work and family responsibilities needs to be achieved by providing care outside the family of children of school or pre-school age, family friendly working conditions or a more adequate institutional framework. In the coming years, politicians will need to define how to implement these instruments and reach the aim of increased participation of parents in the labour market.

Gender equality on the labour market:

True equality between the sexes on the labour market has not yet been achieved

Gender equality is guaranteed under the Federal Constitution. However, in the reality of the Swiss labour market, wage differences between the sexes remain that cannot be explained by objective factors such as education, work experience or industrial sector. Another question that arises in that regard is the extent to which there is discrimination against part-time employment in comparison to full-time employment, given that women more often work part time. Achieving genuine equality between the sexes on the labour market will remain a challenge in the coming years. To meet this challenge it is necessary to institute an efficient equal treatment policy in businesses and in the public sector (→ **Constitution and Institutions**). Several studies show that household work is also not shared equally between the sexes. Men undertake only about half the work women do in terms of household chores and caring for family.³⁰ Of course, this division of unpaid work also has a direct effect on the distribution of gainful employment between the sexes.

In addition to increasing participation in the labour market, growth policy primarily aims to increase productivity of the workforce (→ **Economic Policy and Appeal as a Location for Business**). Increased labour market flexibility in all its dimensions is also crucial for achieving this aim.

Increasing labour productivity:
Central growth factor

The main motivation of workers seeking employment is to earn a sufficient livelihood to support themselves and their dependents. In the majority of cases, gainful employment fulfils this function. There are workers, however, whose available household income is not sufficient to ensure a minimum standard of living. According to a recent study, the portion of the working poor amounted to 4.2 per cent in 2005 (based on the number of persons aged between 15 and 59). The challenge regarding this group lies in increasing the available household income, for example through transfers or tax breaks, but also through incentives to increase labour market participation.³¹ People who do not work and are unable to do so temporarily or permanently or who are only able to work limited hours face a higher poverty risk and often depend on social benefits or on an invalidity pension. The solution to this challenge requires close cooperation between the federal government, cantons, local authorities and communes. People need to be given the opportunity to pursue gainful employment and encouraged to develop their personal skills. The permanent exclusion of these people from the labour market should be avoided, because it is often accompanied by social exclusion (→ **Social Policy**). Through its efforts to integrate people into the labour market, unemployment insurance serves as a model and is also becoming a more active partner in closer inter-institutional cooperation. In general, employment policy and social policy need to be more closely coordinated to meet future challenges (→ **Social Policy**).

Income from employment:
Gainful employment is the most important source of income
The working poor problem is a political challenge

Not all employed persons can react in an equally active and positive way to the abovementioned challenges. Technological progress and the further internationalisation of the economy will continue to put a tight squeeze on people with poor qualifications and foreign nationals on the labour market, especially people seeking asylum. They often and even unwillingly must accept work on demand, irregular working hours, temporary work or part-time work, without receiving appropriate monetary compensation for their work. Precarious employment will continue to be an issue in the years to come, and we need to continue looking for solutions to improve the situation of these people (→ **Social Policy, Migration Policy**).³²

Precarious employment relationships:
People with poor qualifications are particularly affected

New challenges will also arise in the fight against illegal employment years to come. A legal basis was created to combat the different forms of illegal employment more efficiently.

Illegal employment:
Creation of a new legal basis

Wage inequality is an issue of significant public interest. This is demonstrated, on the one hand, by the debate on the high wages of senior managers in multinational corporations, and, at the other end of the wage gap, by the working poor problem. A wage gap that is too wide can be problematic in terms of social policy, or in extreme cases, even jeopardise social cohesion. There has been a slight rise in wage inequality in Switzerland as in many OECD countries since the beginning of the 1990s. This trend is mainly due to the increasing internationalisation and technological change. These two factors offer many new opportunities for highly-qualified workers, while less qualified workers tend to come under increasing pressure. Legislators have already made amendment to the Code of Obligations and to the Auditors Supervision Act 2006/7 in order to address the problem of the high managerial wages. In addition, company law should be brought up to date and adapted to business needs. In particular, corporate governance should be improved, capital structures and accounting law modified, and the rules governing general meetings updated. The challenges related to low wages are crucial both on a social and an economic level. More information on this issue is provided above under the heading: “Income from employment”.

Wage inequality:
A widening wage gap can jeopardise social cohesion

Agriculture Policy

Challenges in agriculture policy:

Opening of the agriculture markets

Improvement of environmental measures

Socially acceptable structural development

International developments in the field of agriculture:

Further opening of the agriculture markets even without a WTO-conclusion of Doha Round

Free trade agreements are gaining in importance

High crude oil prices have and increasing impact on the food market

The general conditions of agriculture policy have a great influence on the sustainability of the way in which natural resources are used, on cultural landscapes and the development of rural land in Switzerland (→ **Sustainable Development, Environment Policy, Spatial Planning Policy**). The overriding challenges in Swiss agriculture policy remain the progressive opening of agriculture markets, the assurance and continual improvement of environmental measures, a socially acceptable structural change and a safe food supply.

The WTO/GATT Uruguay Round concluded in 1994 and aimed at liberalising world trade regulations succeeded in opening agriculture markets for the first time. In Art. 20 of the agreement on agriculture of 15 April 1994, the WTO members express their intention to continue the progressive and discernible removal of the support measures and border control in the primary sector. It is on this basis that the WTO Ministerial Conference in November 2001 in Doha (Qatar) adopted a mandate for the next round of negotiations. Negotiations have not yet been successfully concluded. The opening of the agricultural markets will also continue without the conclusion of the Doha Round. In 2001, the Federal Council therefore decided to progressively reduce customs duties on agricultural products from the least developed countries (LDC).³³ This measure falls within the framework of Switzerland's development policy (→ **Foreign Policy**). In an initial stage, the least developed countries were granted as of 1 January 2002 an average reduction of 30 per cent for regular customs duties on all agricultural products, which were not yet subject to preferential tariff quotas. Since 1 April 2004, this reduction amounts to 55 to 75 per cent. The Federal Council intends to grant the LDCs complete exemption from customs duties in unison with an EU initiative. The import volume of agricultural products from LDCs, however, is proportionally minute. The free trade agreements that Switzerland and its EFTA partners Iceland, Norway and Liechtenstein are negotiating with third countries (outside the EU) also open additional markets. Switzerland has currently concluded free trade agreements with 15 countries.³⁴ Negotiations with other states are under way or being planned. The free trade agreement on agricultural products, which is still at an exploratory stage with the EU, may well have the greatest impact ever on Swiss agriculture. Agriculture markets are also receiving fresh impetus from the rapidly increasing demand for biofuel (→ **Environment Policy**). Targeted federal promotion and the high crude oil prices are making these transport fuels increasingly competitive. Policy decisions such as the EU's aim that the share of biofuels should reach 5.75 per cent by 2010 provide additional incentive. This opens up new opportunities for production for the agricultural exporting countries that have potential in this area. This development, in turn, has the effect of countering price pressures on the agri-food markets. Overall, we can expect that the period of surplus in food products of the last decade is coming to an end, and additional efforts will be necessary to ensure that supply can meet demand. Since 2000, world grain production only exceeded demand in 2004, and grain stocks fell to their lowest level in 25 years.

Free trade in agricultural products with the EU:

Exploratory talks with the EU on a possible free trade agreement in the agri-food sector

A free-trade agreement in the agri-food sector with the EU could mark a major milestone towards opening the market (→ **Foreign Policy**).³⁵ Such an agreement would include the entire agricultural sector with the aim of bringing the remaining customs duties on raw materials and processed agricultural products to zero and to abolish as many non-tariff barriers to trade as possible for both products and the means of production (→ **Foreign Policy**). It would represent a major short term challenge for agriculture, but also for the related upstream and downstream sectors. These effects could be cushioned effects using the appropriate accompanying measures when the time comes (→ **Financial policy**). In the medium and long term, however, this agreement would provide opportunities and provide clear perspectives. Export opportunities would be improved by the opening of the market by far the most important market for the Swiss agri-food industry and production costs would be simultaneously lowered by the opening of procurement markets. This would have beneficial effects on the developments of productivity and competitiveness of the primary sector in Switzerland, including the upstream and downstream sectors of the value chain. Austria's experience indicates³⁶ that with appropriate accompanying measures it is also possible to sustainably manage a multifunctional farming system in topo-

graphically challenged and environmentally sensitive mountain regions under the conditions of free trade in the European area (→ **Spatial Planning Policy**).

From the point of view of sustainability, the developments, which were introduced in the early 1990s with a comprehensive agricultural reform, can be rated overall as positive (→ **Sustainable Development**).³⁷ The “Agriculture Policy 2011” should allow the chosen course of action to be pursued in a consistent manner.³⁸ In order for agriculture to continue to provide the cooperative services defined in the Constitution in the future, it must continue to enhance its competitiveness. The general conditions of agriculture policy should be further developed to exploit the potential for cost reduction and for market performance and environmental enhancement in agriculture and in the upstream and downstream sectors. State resources should still be used on a subsidiary basis, so that the adjustment process remains socially acceptable and is carried out in a sustainable way (→ **Financial policy**).³⁹ However, farmers also need to make considerable efforts to maintain their revenue. The core element of the Agriculture Policy 2011 is the drastic reduction of the resources currently employed to support prices and the shift to direct product payments not earmarked by product. Export subsidies should be completely abolished and funds to support the internal market should be cut by more than half. In addition, customs duties on feed need to be reduced. The resulting decrease in prices triggers the potential for improving productivity and lowering prices, which leads to improvements in competitiveness (→ **Economic Policy**). Production and commercialisation will be better geared to the market because support for applications with little value added should be discontinued. An incentive scheme to enhance resource efficiency should be established to maximise the potential for improving the environmental situation.

Agriculture Policy 2011:
Overall sustainable agricultural development
Further improvement of competitiveness is necessary
Socially acceptable structural adjustments required
Facilitates further measures of adjustment in the international context

Supply policy

The globalised environment characterised by the international division of labour according to the just-in-time principle is reflected to a large extent in a lack of reserves or only scant reserves in the trade, industrial production and transport sectors, and in other service sectors. Generally-speaking, the first reaction of the world economy in the event of disruptions due to political and military incidents, natural or man-made disasters, terrorism or other influences takes the form of massive price increases, most often followed by short or long term shortages in supply in the sectors concerned, unless the disruption is rapidly resolved.

International competitive pressure leads to destocking of raw materials, fuels, semi-finished products and spare parts
Delivery based on the “just-in-time principle”

The current strategy of national economic supply⁴⁰ is based on this transformed risk scenario. The measures intended to guarantee the supply of essential goods and services are therefore concentrated on short to medium term sectoral shortages in supply, or a period lasting from six to eight months. Supply regulation measures should be used to guarantee market supply of essential goods – with the exception of energy sources depending on power lines and pipelines such as electricity and gas, which cannot be stocked – as long as possible at 100 %. In the event of a supply crisis, which can no longer be dealt with by regulating supply, intervention using demand management measures including quotas and rationing is required. The Federal Council requires companies that import certain essential goods or market them for the first time on the domestic market, to keep sufficient reserves to ensure a normal supply for several months.⁴¹ In the event of disruptions and power failures, it will be necessary to take specific management and security measures such as ensuring the availability of maintenance of means of transport, in particular of seagoing vessels, transport routes, logistics infrastructure and communication systems in order to guarantee the provision of essential transport, information and communication infrastructure. The federal government reserves the right to requisition the means of transport when this is necessary and in the national interest. In order to maintain industrial production, it is also necessary to ensure the manufacturing of certain critical products, such as packaging of essential goods. The Federal Council can impose regulations limiting profit margins to a reasonable level to protect consumers against unwarranted price increases and to contain the risk of inflation.

National economic supply strategy:
Supplying the market 100% during the first 6 months by regulating supply and production and by promoting imports
Demand management, including quotas and rationing, is only dealt with subsequently
Guarantee of the means of transport, transport routes and logistics infrastructure
Regulations on margins to protect consumers

Security of economic supply in an international context
Switzerland's membership in the IEA and in the Euro-Atlantic Partnership Council

Cooperation with other countries is essential to ensure supply and access to foreign supply infrastructure such as seaports and the right to use transport routes in other countries. In addition control measures taken at national level need to be coordinated with those taken in neighbouring countries, in order to prevent a drain of our resources abroad. At international level, Switzerland has been involved in the International Energy Agency in establishing measures to ensure the supply of oil and in the Euro-Atlantic Partnership Council in dealing with various issues regarding supply in the event of a crisis particularly in the areas of transport, food and industry (Partnership for Peace).

2.2 Research and education in the economy and society

General points:

Research and education are part of the foundations on which Switzerland's attractiveness as a location and the comparative advantages of the Swiss economy and social development are built
Research and education policy must consider the social, political, economic and ecological dimensions

Alongside factors such as social peace and high productivity, the comparative advantages of the Swiss economy are mainly its goods and services, the provision of which requires a high level of research and education. Switzerland's competitiveness and medium and long-term level of prosperity will therefore depend to a large extent on how far investments in research and education and their implementation are able to develop and support the comparative advantage. Given the demographic challenges and the global competition for investment and the best researchers and specialists, Switzerland's attractiveness for foreign companies and investments is vital: Switzerland's ability to be innovative is essential for its attractiveness as a location and for the future of the Swiss economy (→ **Economic Policy**).⁴² However, in view of the social and ecological challenges posed by economic and technological developments, research and education cannot restrict themselves to the generation and provision of marketable knowledge content and skills alone. Research must also focus on aspects that are of relevance to society and sustainability. Education must foster the development of personality and pass on the abilities that enable individuals to find their way and hold their own in a social environment. It must not only impart the ability to gain an understanding of the interaction of society, politics, the economy and the environment but also help shape and develop them further.⁴³

Research and innovation policy

Challenges of research and innovation policy:

Slight erosion of Switzerland's position due to increase in investment in other countries
Trend reversal due to prioritising of research and development in Switzerland
Need to keep abreast and to reinvest in pure research, development of the sectors of the future, national networking and prioritising, investment in European cooperation, greater cooperation outside Europe, strengthening of applied R&D and knowledge transfer

Switzerland has been able to maintain its strong position in international comparison in natural and technological science and biomedicine over the last few years. Since the mid-1990s, however, many countries have been increasing their percentage of gross domestic product (GDP) spent on research and development (R&D). The European Council has formulated the goal of increasing the European Union's R&D costs up to 2010 to three per cent of GDP.⁴⁴ For Swiss research, future competition will come not only from the "old" EU countries or large industrial nations, USA and Japan, but also from the 12 countries that became members of the EU in 2004 and in 2007 (Bulgaria and Romania) and particularly countries like China,⁴⁵ India and Korea. In recent years Switzerland has succeeded in reversing the trend of a static or even declining share of R&D expenditure in GDP thanks to increased investment by the private sector.⁴⁶ The approximately 0.7 per cent of GDP that the public sector is at present investing in research and development is a fraction under the average for OECD countries,⁴⁷ which weakens the future capacity of the Swiss innovation chain. For this reason priorities were set in favour of federal spending on R&D in the Dispatch on the Promotion of Education, Research and Innovation (ERI) for the period 2008 to 2011 and in respect of participation in the EU framework programmes (→ **Financial Policy**).⁴⁸ The public share of R&D resources does not then drop any further and the R&D basis that Switzerland needs in addition to the private sector's R&D spending is guaranteed. No quantitative goal in GDP percentage terms has been set in this regard. In addition, research and innovation policy faces the following challenges: the need to keep abreast and to reinvest in basic clinical research, bioinformatics, engineering, humanities and social sciences; promotion of particularly promising research and development projects; networking and prioritising in national research through cooperation projects, national research priorities and centres of excellence; investment in European cooperation; increased collaboration with countries outside Europe (in particular, USA and Asian states); reinforcement of applied research and development and knowledge transfer.⁴⁹

Pure research will continue to have to provide indispensable support to Switzerland as a centre for research and science.⁵⁰ The aim, therefore, is to guarantee Switzerland's excellent track record in international comparison in university-level pure research⁵¹ in the future. Given the number of scientific publications per million inhabitants, which is one of the most important indicators for scientific performance, Switzerland is still in the top league, although it is showing considerably less growth than other industrial and emerging countries. Since the 1980s the ratio of staff employed in R&D in Switzerland has remained stable at around 1.3% of the whole active population. Finland, Sweden, Denmark, Luxembourg, New Zealand, Japan, France, Belgium and Norway are currently showing higher percentages. According to OECD figures, the number of staff employed in R&D has risen faster since 1980 in nearly all countries than in Switzerland. In addition, the strengths of Switzerland as a location for research are mainly in the disciplines of natural sciences, life sciences, and information and communications technology. In other areas Switzerland does not have a top ranking in the indicator concerned. Swiss research must, in addition, maintain and develop its leading position in particularly promising areas. Clinical research, bioinformatics and engineering have a lot of catching up to do or are in need of reinvestment. Other areas in particular need of encouragement are the humanities and social sciences and, with the significant scientific breakthroughs and innovations being made at the interface between the different areas of research, interdisciplinary research work.⁵² In its position at the beginning of the Confederation-supported innovation chain, the stated aim of the Swiss National Science Foundation (SNSF) is to promote the best researchers, ideas, projects and research institutes. The Federal Council therefore intends to increase the SNSF budget by 7.5 per cent per annum as part of the increase in promotional funds planned under the Dispatch on the Promotion of Education, Research and Innovation (ERI) for the period 2008–2011. The Confederation (State Secretariat for Education and Research) will give the SNSF a four-year performance mandate in which to allocate the funds to the main sectors and set priorities. As an additional research promotion tool, the payment of indirect costs (overheads) of research projects is due to be introduced in 2009.

One particular challenge for research and innovation policy continues to be to take due account of Switzerland's small size and federal nature. It must continue to apply a strategy addressing the need as well as the risks of concentrating available funds and supported areas by the constant establishment of networks. The existing process of networking, harmonisation and division of labour between pure and applied research, between national investment and international commitment, between the various research institutions (universities, research institutes, universities of applied sciences) and between public and private research investment must therefore be consolidated. Further efforts are needed on the part of universities and universities of applied sciences within the national network (division of labour, coordination, concentration) to help create a real "University of Switzerland". In addition to the cooperation projects, National Centres of Competence in Research (NCCR) are an important tool (→ **Economic Policy**).⁵³ The Federal Council plans an average annual increase of 13.6 per cent in funds for joint projects between the universities in the Dispatch on the Promotion of Education Research and Innovation for the period 2008–2011, whereas basic and operational contributions to the cantonal universities are being stabilised, taking into account the necessary improvement of the student-teacher ratios. This will give inter-varsity cooperation a greater profile. National Centres of Competence in Research will be able to benefit from the above-average increase planned for the Swiss National Science Foundation budget. The Confederation is also backing the universities and research institutes of the Federal Institutes of Technology (ETH) domain whose quality and performance set the standard for the whole Swiss ERI system and which, from an international perspective, represent the flagship of Swiss universities and research landscape. The ETH domain contributes particularly to the competitiveness and innovation-based growth of the country and acts as a magnet for the best foreign lecturers, researchers and students. High-performance national centres of excellence should also increase the international competitiveness of the whole Swiss ERI area. These centres are funded by means of the Confederation's financial contribution to the ETH domain and the contributions to the cantonal universities, in particular of the project-related subsidies under the University Promotion Act. In addition, the ETH domain institutions act as leading houses for major national cooperation projects. The

Reinforcement of innovation dynamic by means of better pure research:

Dynamic of Swiss pure research below average

Priority areas below average or in need of reinvestment: clinical research, bioinformatics, engineering, humanities and social sciences, interdisciplinary research

Development of areas with a particularly bright future

Consolidation of networking and setting priorities:

Networking of universities at national level continues to be a priority ("University of Switzerland")

The ETH domain and national centres of excellence to act as flagships of the Swiss universities and research landscape

“SystemsX.ch” project, for instance, aims to bring Swiss universities into the post-genomic period of systems biology so that Switzerland can maintain its top position in biomedical research.⁵⁴ On account of their extremely high standard, the ETH domain institutions are able to finance their own further development by setting priorities and by external fundraising. The Federal Council, therefore, has no plans to increase subsidies for the ETH domain under the Dispatch on the Promotion of Education, Research and Innovation for the period 2008–2011 apart from responding to rising student numbers and new tasks.

Increasing importance of international cooperation:

Higher level of cooperation with the European Union

Increased cooperation outside Europe

At international level the Confederation creates the necessary general political environment for rewarding international cooperation by Swiss research institutes and their best players. An increasing part of the spending for research and development should be carried out as part of international cooperation. Cooperation within Europe has become more prominent in recent years (EU programmes, Eureka, Cost, international research organisations). With the Swiss-EU bilateral research agreement coming into force, Switzerland is now considered more or less on a par with EEA countries in their collaboration with EU states – although the participation tool penalises Switzerland. International cooperation, in particular with European partner countries, will tie up even more funds: under the EU’s Seventh Framework Programme, the annual contribution for Switzerland’s integral participation up to 2013 will total 2.4 billion francs⁵⁵ (→ **Financial Policy**), which means an average annual increase in subsidies of 8.2 per cent up to 2011. Outside Europe, cooperation with other countries such as the USA and Asian states is on the rise due to the intense competition for the research-based industries and the new generation of highly qualified scientists.⁵⁶ The aims of Switzerland’s new scientific foreign policy towards countries outside the European Union are only attainable if the attractiveness and accessibility of Switzerland as a scientific location can be increased⁵⁷ and an active scientific diplomacy established (→ **Foreign Policy**).⁵⁸ With additional funds for bilateral cooperation with countries outside Europe, institutions in the Swiss scientific sector are expected to launch new initiatives with partners such as China, India, Japan or Korea. As regards multilateral and bilateral research cooperation, the Federal Council plans an average annual increase of 14.9 per cent, the highest increase in Swiss research and development promotion as set out in the Dispatch on the Promotion of Education, Research and Innovation for the period 2008–2011.⁵⁹ At the same time, long-term research cooperation with developing countries and countries in transition as part of the development policy is set to continue. This is Switzerland’s contribution to the political, economic and social change in Eastern Europe and the Community of Independent States (CIS) as well as to the strengthening of the bases for sustainable development processes in southern countries. The development of research capacities in developing countries is vital since only with competent partners in the south can the global problems be tackled and solved in the longer term.⁶⁰

Reinforcement of innovation drive by means of better applied research and faster implementation and dissemination:

Innovation is essential for location Switzerland

Important role for knowledge transfer

Strengthen cooperation between universities and start-up companies with CTI

The fast application and dissemination of the research and development findings are vital for the success of companies in the innovation competition. The innovativeness of companies is therefore essential for the future income, employment and growth development of location Switzerland (→ **Economic Policy, Spatial Planning Policy**).⁶¹ In the innovation sector Switzerland has established itself for several years at a high performance level thanks to the high quality of the scientific system and the industry and services sectors.⁶² In order to make better use of pure research findings as a basis for companies’ development and innovation activities, the Confederation is promoting measures to speed up the transfer of knowledge from universities and to strengthen the mutual feedback between science and business. Reinforcement of the interaction between universities and the private sector in applied research and development and in knowledge transfer continue to pose a challenge. This cooperation between the universities should, both nationally and internationally and between the various types of universities (universities, universities of applied sciences), be consolidated and the corresponding cooperation projects continued to be promoted through the Innovation Promotion Agency (CTI).⁶³ The Confederation has taken appropriate measures by promoting both the R&D consortia, which can link universities of applied sciences and universities with business in partnership-type joint projects, and through the CTI’s promotion of the subject-based KTT consortia (KTT = knowledge and technology transfer).⁶⁴ However, in this context it is important for the KTTs to be an

important element in positioning a university in competition with others and thus the question as to what type of KTT a university wants to operate, must remain the responsibility of the universities in question. In addition, campus-based start-ups or start-up companies set up by university graduates are crucial for technology transfer.⁶⁵ The trend, which is below the international average, of university graduates setting up their own business should be stimulated by greater promotion of entrepreneurial know-how and by motivating students to become entrepreneurial through the CTI “venturelab” initiative. At the same time the aim of the CTI start-up initiative is to ease the funding problems of new companies and facilitate market entry by labelling and coaching promising start-ups. These measures reflect the Confederation’s awareness of the fact that setting up new companies is a major key to success in positive restructuring and better innovation output in Switzerland.⁶⁶ By means of the Dispatch on Education, Research and Innovation for the period 2008–2011, the Federal Council will therefore ensure that the CTI budget draws maximum benefit from the increase in ERI funds.

Switzerland already has an excellent position in the international “brain circulation” stakes as it attracts far more scientists and technicians than it exports (→ **Migration Policy, Labour Market Policy**). However, technology transfer from abroad can be further increased by Swiss researchers being encouraged to return to Switzerland and foreign researchers encouraged to do research in Switzerland. The professorships sponsored by the SNSF and the activities of the Swiss scientific exchange houses in particular make a huge contribution to this.⁶⁷ Lastly, the added value of publicly funded innovation achievements should be enhanced by means of intellectual property legislation and its application (→ **Economic Policy**).⁶⁸

Easier return home for Swiss researchers abroad and easier residence for foreign researchers in Switzerland

Better use to be made of sponsored innovation

Education policy

Switzerland continues to have one of the best systems of education, research and innovation in the world, which is why it has shown remarkable scientific creativity for many years.⁶⁹ However, it has to maintain and consolidate its position under increasingly difficult conditions and in a situation of great scientific and commercial competition. This new situation will affect the Swiss education system in general and vocational training and higher education (tertiary A and B) in particular. The most serious challenges are: consolidation of the reform process already under way in the university sector, coping with the rising number of students, the education agreement with the European Union, implementation of the Bologna and Copenhagen process, recognition of university of applied sciences diplomas abroad, post-compulsory qualifications for all young people if possible, greater federal involvement in vocational training, and improvement of equal opportunities in the education system for young people from a migrant family background.⁷⁰

An important challenge for future Swiss university policy is to bring coherence to the diversity of tertiary education sector A in order to exploit synergies between universities and offer a coordinated range of courses.⁷¹ On 21 May 2006 the people and the cantons accepted the new constitutional provisions on education, which stipulate that the Confederation and the cantons ensure a high-quality and accessible education system in Switzerland, in keeping with corresponding competences in a partnership of shared responsibility.⁷² Although this constitutional requirement is clearly new, it does have a close link with the ongoing reform process started in the mid 1990s in the whole ERI sector. This process needs to be continued and consolidated in cooperation with the cantons and all other interested partners over the period from 2008 to 2011. The reform process was launched by the creation of the universities of applied sciences in 1996 and the enactment of the University Promotion Act in 2000. A further reform measure is currently being sought in the Swiss ERI sector with preparatory work for a new university framework act based on Article 61a of the Federal Constitution. At the end of 2004 a project group, commissioned by the Confederation and the cantons, submitted to the Federal Council the first proposals on the restructuring of the Swiss university landscape.⁷³ The project group is calling in particular for increased cooperation between the Confederation and the cantons to manage the university system, better allocation of funds by the blanket introduction of standard costs for all students, the reassessment of all the courses offered by

Consolidation of the reform process already started at federal level:

Creation of coherence and unity throughout the Swiss higher education system (cantonal universities, ETH domain and universities of applied sciences)

Implementation of new competences and simpler structure in university education

the universities, political agreement on a more sustainable allocation of tasks in particularly cost-intensive areas as a result of strategic planning over several years in a partnership between the Confederation and the cantons. On 17 November 2004 the Federal Council approved the proposals and gave the go-ahead for drawing up framework university legislation. As a concordat between the 26 cantons must be ratified and a cooperation agreement between the Confederation and the cantons must be signed at the same time as the Act comes into force, it is very likely that the University Framework Act will only be able to come into force in 2012.

More people gaining tertiary education diplomas and capacity problems:

Allow further increase in number of students

Capacity problem requires adjustment of funds for operations and infrastructure

Portfolio reassessment and prioritising

Improve monitoring of information for educational policies

Priority given to interdisciplinary cooperation projects

Knowledge is one of the most valuable resources we have today to shape development processes in a sustainable way.⁷⁴ At the same time, the change in vocational functions mirroring changes in the structure of the economy and technical advances requires an ever more highly qualified workforce (→ **Economic Policy**).⁷⁵ Despite the major catching-up process in international comparison, Switzerland is still experiencing difficulties in producing a sufficiently highly qualified workforce. As a result of the continually increasing number of university graduates and the many higher vocational training graduates, nearly 29 per cent of the 25 to 64 year-old population in Switzerland have now completed tertiary education: in 2004 some 20 per cent of the resident population aged between 25 and 64 (as opposed to 13 per cent in 1996) had a university degree (Tertiary A), and at least nine per cent had a higher vocational training diploma (Tertiary B). The successful introduction of the vocational Matura has greatly contributed to the continually increasing number of Swiss university graduates as an alternative passport to university studies and to the universities of applied sciences founded in 1996. In 2004, Canada (45%) showed the highest percentage in an OECD comparison of 25 to 64-year-olds with a tertiary level degree or diploma (Tertiary A and B), followed by the USA (39%) and Japan (37%). In Europe, Sweden (35%) is top of the league, followed by Finland (34%), and Denmark and Norway (both 32%). Switzerland (28%) had higher figures than its neighbouring countries: Germany (25%), France (24%), Austria (18%) and Italy (11%). Switzerland is well above the OECD average as regards the percentage of people with post-secondary but not tertiary diplomas. The distribution among the population of these three types of diplomas varies quite considerably from country to country. Whereas in some of the countries examined the large majority have a university degree, in other countries, such as Switzerland for instance, people with continuing vocational training opportunities are in the majority.⁷⁶ For exact sciences, natural sciences or engineering and technology, in which 0.77 percent of 20 to 29-year-olds hold a degree, Switzerland is below the European average (1.22%) and a long way behind the leading countries, France (2.22%) and Ireland (2.42%).⁷⁷ The number of students at Swiss universities is set to continue increasing up to 2015:⁷⁸ at universities by around 14,000 and at universities of applied sciences by around 7,000 people, which for the above-stated reasons is a welcome development. This increase in student numbers in the whole university sector area poses a huge challenge for education policy. In view of the unsatisfactory teacher-student ratios which already exist in some university subject areas, the necessary capacities need to be provided by the Confederation and the cantons in order to make the most of the potential of young people with a willingness to learn and to consistently improve the quality of the courses on offer at all levels. At the same time the Confederation wishes to exert the necessary pressure at university level for further initiatives to be undertaken to reassess the portfolio and set priorities. The Federal Council therefore, in the Dispatch on the Promotion of Education, Research and Innovation for the period 2008–2011, intends to stabilise the federal subsidy of the ETH domain and the basic funding of the cantonal universities, taking into account the number of students, inflation and new remits. Where the universities of applied sciences are concerned, the Confederation will continue to pay one third, the statutory subsidy rate, of the allowable expenditure as part of the authorised credits. Schools in the areas of health, social affairs and art (GSK), which has up to now received a limited amount of funding, are on an equal footing with the other schools from 2008 in respect of entitlement to subsidies. The transition to performance-based subsidies should be made by the time the new university framework legislation comes into force at the latest.⁷⁹ These measures will help the Confederation together with the cantons to guarantee the education institutions involved the financial security they need for their forward planning. The Federal Council intends to create incentives for additional reassessments of courses in the university sector by means of project-linked funds. It is also applying for

funds to close recognised gaps in the area of ERI statistics and ERI monitoring in cooperation with the cantons. These measures should have the following results: increased training efficiency thanks to a reassessment of the portfolio and the setting of priorities; formulation, as a federal-cantonal joint action, of an even more forward-looking and more successful Swiss ERI policy thanks to the thorough dissemination of information for educational policies. Cooperation projects involving several types of university should take precedence in order to set priorities in cooperation between the universities in the coming credit period, undertake restructuring and exploit synergies between the different types of universities. The projects concerned should first be discussed and then coordinated at the regular joint sessions of the Swiss University Conference and the Swiss Council for Universities of Applied Sciences.

Promotional measures for up and coming researchers must make a considerable contribution to Switzerland as a location for research and technology being able, in the interest of its inhabitants, to face the competition challenges in the worldwide arena. The important issues in these measures are therefore the level of remuneration in post-graduate programmes and the implementation of new promotional tools (training grants, doctoral schools, contributions to international graduate programmes, and the Swiss National Science Foundation's professorship programmes). The Swiss National Science Foundation's promotional tools and the special measures taken by the Confederation both need to be incorporated into a global policy.⁸⁰ The promotion of young academics and greater national and international mobility for students and teachers are also paramount. These people must broaden their horizons beyond linguistic and national borders. Switzerland has already been able to participate through its "passive" partnership in the EU educational, vocational and youth programmes (Socrates, Leonardo, Youth). The Federal Council is also looking to reach an agreement as soon as possible with the EU on mobility (→ **Foreign Policy**). Negotiations should be completed in 2007; the aim is for Switzerland to have full participation in the programmes.

Higher education is faced with the same problem as the whole post-compulsory education system: effective filtering of up and coming generations into the professional fields and growth areas of the future. Constantly updating the content of qualifications, offering the appropriate syllabuses, creating flexible educational opportunities and the flexible provision of education (e.g. modularisation of syllabuses) in order to keep abreast of the constantly changing demands of the labour market (lifelong learning) will play a more prominent role. The range of courses on offer should meet the increasing need for individualised educational paths, additional training and cross-training in terms of life-long learning, with give and take between the individual educational levels and educational slants. It should also be transparent and of a high standard. In an increasingly globalised knowledge society, each completed training course should pave the way to a bright future and work opportunities. This objective was given a boost at university level by the Bologna Declaration in which around 33 European countries have (so far) expressed their will to create a common European university space.⁸¹ Universities must seize this opportunity for a discussion on the reform of syllabuses and modularisation of the teaching on offer.⁸² In addition, the quality of education and its further development should be guaranteed at university level by means of permanent quality assurance and education monitoring.⁸³ In the university sector, the Rectors' Conference of the Swiss Universities (CRUS) has been coordinating the Bologna process since 2003; the standards were laid down by the Swiss University Conference (SUK). Similar developments can be seen under the Copenhagen process for vocational training that grew out of the EU's Lisbon agenda. This process is based on the European Credit Transfer System (ECTS) for university education. An individual model for vocational training based on this system is envisaged: the European Credits for Vocational Education and Training (ECVET) system. The implementation of the Bologna Declaration, already very advanced at all cantonal universities, universities of applied sciences and the ETH domain, should be complete by 2010. At federal level, the planned Universities Act will provide for harmonised study structures from 2012. A further challenge for the universities of applied sciences is the recognition of diplomas with a view to further studies abroad (academic recognition). In order to simplify the recognition procedure, Swiss universities of applied sciences are also participating in the Bologna process. The restructuring of syllabuses (two-tiered courses, modularisation,

Ensuring a new generation of academics and ensuring mobility:

Enhancement of promotional and funding tools to encourage young researchers

Overall plan necessary

Need for agreement with EU on education, vocational training and youth programmes

Coherence and unity in post-compulsory education:

Flexible educational opportunities and qualifications to increase the population's level of qualifications, faster adaptation of the qualification content and filtering into future professional fields

A permeable high-standard educational system

Harmonisation of course structures to European agreement standards (Bologna and Copenhagen process)

Permanent quality assurance and education monitoring

Cost-effectiveness to be taken into account

Potential of foreign population to be exploited

ECTS points) has for the most part already been achieved. All these improvements in the Swiss education system should also take account of the issue of cost-effectiveness. In view of an ageing population with the onus squarely on the active population efforts should be made to avoid any shortening of working life as a result of increased training. In addition, particular attention should be paid to exploiting the qualifications potential of the non-Swiss population (→ **Migration Policy**). Non-Swiss nationals living in Switzerland have a higher proportion of university graduates than that of the Swiss themselves. However, due to the lack of recognition of education diplomas, particularly those of people from outside the EU, this potential, unfortunately, very often goes to waste. The aim must be for these non-Swiss nationals to raise their professional qualifications, quickly and without doubling the length of their training, to a level that meets the high Swiss requirements. Yet another challenge is the four educational paths created under the Bologna reform (Bachelors and Masters both at university level and at the level of universities of applied sciences): priorities need to be set in the longer term at universities and at universities of applied sciences.

Vocational training:

Comparative strength of Swiss education landscape

Continuing the reform process: blanket funding, post-compulsory diplomas for all young people where possible, ensuring sufficient access to the tertiary education system

In the future, the education market and the education system will still have to be underpinned by the two pillars of tertiary education at university level and vocational training in order to maintain their high quality and performance levels. The dual education system from the upper secondary level with its myriad opportunities for vocational training is one of the considerable strengths of the Swiss educational scene. Around 70 per cent of all Swiss young people have completed a two-tier vocational training, which gives them the opportunity to acquire a sound vocational knowledge and familiarise themselves with the working world. This is one of the main reasons for the low incidence of youth unemployment in international comparison. People who have completed a vocational training course in Switzerland have for years achieved top places in international professional competitions. This undisputed strength of the dual system needs to be developed. At the secondary stage of vocational training⁸⁴ it is important to have a solid basic vocational training by means of a flexible modular structure. This is where full implementation of the new Vocational Training Act (BBG) is vital. Since coming into force in 2004 and after a four-year transitional phase it will take full effect from 2008. Under the terms of the Dispatch on the Promotion of Education, Research and Innovation for the period 2008–2011 the Federal Council plans to increase federal subsidies for vocational training, taking into account the number of students and available funds. After 2011 the federal share is expected to be of the order of 25 per cent. Efficiency gains should be achieved in the vocational training area given consistent implementation of the BBG, the introduction of quality assurance and the creation of transparency. In addition, the Confederation and the cantons are taking measures to enable as many young people as possible to have access to post-compulsory vocational training and to enable adults without a vocational diploma to receive extra coaching. Young people who are struggling at school or who are socially disadvantaged will have increased chances of integration through low-threshold opportunities. The Federal Council announced at the end of 2006 that the appropriate measures would be consolidated under the BBG.⁸⁵ Developing the Tertiary B sector should also ensure sufficient access to the tertiary educational system (→ **Labour Market Policy**).⁸⁶

Further vocational training:

No longer possible to ensure qualifications “on the job”

Comprehensive further training and new qualifications in Switzerland still insufficient

The Confederation to have a more prominent role

An increasing number of people have several different jobs during their working lives, and they constantly need to gain more or new qualifications, hence the importance of life-long learning as the equivalent of further training. Comparisons with other OECD countries show that in terms of participation in further vocational training (quaternary area) Switzerland is within the norm or even at the top of the league table alongside Sweden and Iceland, depending on the survey methods used.⁸⁷ According to the Federal Statistical Office (FSO) around 1.8 million people took courses in 2003,⁸⁸ equivalent to 36% of the adult resident population; 3.5 million people or 69% of the resident population did an individual apprenticeship for their own further training. However, highly qualified and management staff often take training and intensive further training courses whereas less qualified people decide to do without, sometimes due to lack of funding or support by the employer. The structure of Swiss further training is characterised by the fragmentation of skills and a lack of transparency in the quality of the courses on offer. In view of the obvious benefits of further training, the State must play a more prominent role in this area. The Confederation and the cantons must ensure an educational system that is always in keeping with

the times and that paves the way to job opportunities. The courses on offer in Switzerland's educational landscape should reflect the changing needs of people of all ages interested in getting an education and should foster the cultural, social and economic aspects of society. Whether in the initial training or in the context of lifelong learning, a transparent system must enable the inhabitants of Switzerland to avail themselves of the opportunities of a knowledge-based society and contribute to Switzerland's welfare. This also concerns the fight against illiteracy (→ **Constitution and Institutions, Social Policy, Migration Policy**).⁸⁹ The new provisions of the Constitution on education, adopted in the popular vote on 21 May 2006, require the Confederation to lay down principles for further training (Art. 64a para 1 of the Federal Constitution). In addition, it can now promote further training above and beyond the existing legal provisions and define the criteria. The preparatory work for a federal further education act has already been done. The main focus is to improve transparency and coordination. What then remains to be done is to ensure the quality of the courses on offer and facilitate access for all those who wish to train further. As a result of two postulates (WBK-S, 00.3197; WBK-N, 00.3605), the likely effects of demand-based incentives are currently being examined.⁹⁰

The generally positive results of the Swiss education system in international comparison should not hide the fact that it still faces major challenges. The latest PISA study (2003) gives Switzerland good marks for mathematics, natural sciences and problem-solving. After its disappointing level in natural sciences in 2000 Switzerland was once again above the average for OECD countries, but Swiss young people are still only average in reading skills. Education policy at the level of compulsory schooling must show itself to be flexible and efficient in responding to a fast changing society and to people's increasing mobility. It must be sufficiently open to be able to respond to national or international challenges as and when they occur. The teaching syllabuses of the different school levels and the initial and further training of teaching staff must meet these challenges. Education must concentrate more on basic knowledge, skills and attitudes as well as interdisciplinary factors. In addition, despite the many strengths of the federal nature of the Swiss school system, it has repeatedly been shown that the main disadvantage is the lack of nationwide minimum standards and regular nationwide school performance assessments. People's increasing mobility calls for more harmonised school structures nationwide. Another problem for pre-school and compulsory schooling is that supervision methods and timetables are not compatible with the work patterns of both parents (→ **Social Policy, Labour Market Policy**). In addition, the shortcomings highlighted by the PISA study in respect of the compulsory education system can have a detrimental long-term effect on higher education and vocational training. Although it is the cantons that are primarily concerned at the compulsory education level, the introduction by the Confederation and cantons of a nationwide education strategy and of comprehensive education monitoring is becoming more important. These aspirations were reinforced by the new provisions on education in the Federal Constitution. A concordat setting out nationwide binding educational standards, structural parameters for compulsory schooling and tools for developing and assuring the quality of the education system is currently being formulated by the Swiss Conference of Cantonal Directors of Education. It is due to be submitted for ratification by the cantons at the end of 2007 (HarmoS concordat). A pilot report on Swiss education monitoring has already been published.⁹¹

Given the need for continuing further training and for more new qualifications on the job, access to education and training is becoming increasingly important. The regulation of access to education and training and equal opportunities is therefore a major political issue (→ **Constitution and Institutions**). The under-representation of certain sectors of the population is also a waste of resources (→ **Financial Policy, Social Policy, Economic Policy**). The educational gap between the sexes has narrowed significantly over the last few decades, but there is still a need for more women to even out numbers at the higher university levels. Efforts must be made to ensure that there is a sufficiently large potential of highly qualified women available for the professorships that will become vacant in the next few years.⁹² The universities of applied sciences where women are heavily under-represented in the areas of technology, economics and IT are already being called on to take action to achieve a balanced representation of the sexes by increasing the percentage of women. Although the measures taken to date can already be described as successful,

Pre-school and compulsory education:

Emphasis on basic knowledge, skills and attitudes, and interdisciplinary contents

Nationwide minimum standards, school assessments and more harmonised school structures

Compatibility with parents' work patterns

Nationwide education strategy and comprehensive monitoring of standards

Trans-level factors 1:

Access to education and training, and equal opportunities are a key political issue

Need for more women at higher university levels and in technology, natural sciences and economics

Consolidated system for student funding

Compensation of disadvantages to educationally challenged and immigrant

families in compulsory schooling
Supporting social and integration policy measures necessary

there is still a need for action.⁹³ In the area of student grants, the Confederation's coordination tasks must be developed under the new financial equalisation legislation (NFA). The Federal Act has already been passed.⁹⁴ However, this financial approach still needs education policy to be clearly defined. The approach of a consolidated system that combines grants, loans and student fees, was called for during the parliamentary negotiations of the NFA legislation and incorporated into the Federal Council's report on growth.⁹⁵ The work should be conducted under the university framework legislation. The lack of equal education opportunities is also a major challenge in pre-school and compulsory education. In addition to the late age at which children in Switzerland start school and the very high requirements for teachers in international comparison on account of multilingualism, the main reasons for Switzerland's indifferent rating in an OECD comparison of young people's basic skills, particularly in reading, are the lack of compensation for the disadvantages young people from poorly educated or immigrant families face, and gender-related differences. Unequal opportunities create a situation where existing potential is not adequately exploited, and this has a negative knock-on effect not only on competitiveness (→ **Labour Market Policy, Economic Policy**) but, as it happens, also on the political judgement of sections of the resident population (→ **Constitution and Institutions**).⁹⁶ In order to improve equal opportunities, wide-ranging supporting social and integration policy measures will be necessary. This is why, on the basis of a report by the Federal Office for Migration, the Federal Office has commissioned an interdepartmental working group with the task of examining further measures by mid 2007 in addition to the existing integration measures to facilitate the integration of the non-Swiss population (→ **Social Policy, Migration Policy**).⁹⁷

Trans-level factors 2:

Funding of the education system to be given priority
Limited financial scope necessitates efficiency increases
External benefits to society of government investment in education and training to be taken into account

Financial considerations will continue to play an important role in the debate on education policy. As in other European countries, the funding of the education system will be given priority. In Switzerland, higher education is mainly financed from public sector funds. In this respect, financial policy creates a dilemma (→ **Financial Policy**). On the one hand, it is necessary to increase resources in certain areas to respond to the challenges already outlined; on the other, however, the fast growth of resources may prevent necessary reforms. Given this situation, it is vital to increase the efficiency of the higher education system, i.e. to continue to develop its productivity and effectiveness, to allocate resources better, to set priorities and relinquish certain activities. It is important that the key element of the external benefit to society of government investment in education and training should be taken sufficiently into account.⁹⁸ This benefit is not only derived from knowledge that can be directly applied in working life, but also from the increasing political skills of citizens in Switzerland's direct democracy or a greater willingness to engage, in the broadest meaning of the word, in society and culture (→ **Constitution and Institutions**).

2.3 Social Security and Health

Social Security and Social Policy

System of social security – result of several generations of development:
Basic development up to the 1960s, thereafter expansion in phases
Cover for major risks to the population, social integration of people at risk
Important contribution to social peace and political stability
Stabilisation of domestic demand

The current Swiss social security system is the result of decades of development, the initial stages of which date back to the 19th century. The essential features were established following the serious economic crisis of the 1930s and the Second World War, and were gradually extended from the 1960s onwards.⁹⁹ The social security system is not, however, based on an overall strategy. The major elements of social insurance cover individual risks such as old age, invalidity, death (of the breadwinner in the family), accident, illness, maternity and unemployment. The gaps in the social insurance system that have grown over the years are filled by social assistance that is targeted towards financial need that has already arisen. Together, these social security systems foster the social and economic integration of population groups that are in difficulty either financially or socially, and make a substantial contribution to peace within society and political stability in Switzerland (→ **Constitution and Institutions**). Furthermore, they guarantee a certain domestic consumption capacity and thus have a basic counter-cyclical effect on the development of the economy (automatic stabilisation) (→ **Economic Policy, Financial Policy**).

The costs of social security rose dramatically between 1990 and 2004. The largest contribution to this increase came in the field of retirement provision. It accounts for 47 per cent of the increased expenditure on social security in terms of the overall bill for social security¹⁰⁰, of which 29 per cent goes towards occupational pensions and 18 per cent towards state pensions (AHV). The remainder of the cost increase is mainly due to the social element of health insurance (15 per cent), invalidity insurance (10 per cent) and unemployment insurance (8 per cent). By comparison, only 4 per cent of the increase is due to social assistance and persons seeking asylum (→ **Migration Policy**), areas that made serious demands on the budget in the 1990s. If we look more closely at trends within individual areas, we see that the annual expenditure on unemployment insurance and on measures benefiting the unemployed has fluctuated enormously from year to year, but has on average increased the most (→ **Labour Market Policy**). The fact that expenditure on social assistance has clearly risen at an above-average rate is also due to the labour market situation. An above average increase can also be seen in the case of invalidity insurance and supplementary invalidity benefits. Like the invalidity insurance, occupational pensions were also affected by the increase in invalidity pensions. This explains the enormous rise in this area, and not simply the fact that the “entry generation”, the first people to be insured under the scheme, reached pensionable age. Finally, the new Health Insurance Act (KVG), which came into force in 1996, was not able to stem the rising costs in this area. On the other hand, the increase in payments under the AHV and accident insurance schemes remained within budget. Depending on the source of funding, those bearing the costs were variously affected by the increase in costs. Thus revenues from per capita premiums rose the most between 1990 und 2004, and the public purse contributed more resources as well. In contrast, the share of contributions made by employers and employees fell. As a result of the slump in the financial markets in the year 2000, returns on capital declined. These developments, together with the predictable further change in age distribution, the changing economic conditions (globalisation trends and location competition) (→ **Economic Policy**) and rising deficits in the state budget (→ **Financial Policy**) led to heated political debate on the financing of social security.¹⁰¹ As a consequence, the end of the 1990s saw the start of a serious effort towards the financial and regulatory consolidation of the social security system. This manifested itself in comprehensive analytical studies on the conceptual orientation, the results and the financing¹⁰² of social security, as well as in targeted reform measures.¹⁰³ In the field of social assistance, comprehensive reforms were also carried out in the cantons.¹⁰⁴

The Swiss social security system still stands out in overall comparison with other countries due to its efficiency. But expenditure on social security, as assessed on the basis of the new EU definitions, rose fairly quickly until the second half of the 1990s in relation to GDP, and after a temporary period of stagnation, it has risen again since 2000. In 2004, the most recent year for which data is available, Switzerland, when compared with the EU-25 is in fourth place and thus one of the countries with the highest level of expenditure on social security. If we limit our attention to social insurances, the picture remains the same. Expenditure on social benefits has risen since the 1990s, with an interruption from 1997 to 2000. The rise in these levels is also due to weak economic growth. With a stagnating GDP, even a small increase in the social security budget led to higher rates of social expenditure.¹⁰⁵

On the basis of the developments expected, the social security system and social policy face challenges in many respects in the medium to long term. As the need for change is basically known and various measures have already been taken, the key issues are now the following: firstly, the systems of provision for old age must be adapted to demographic trends (increased life expectancy, growing numbers of older people, working population becoming smaller and older) and to a growing diversity of ways of moving from employment to retirement (increased flexibility), without imposing an excessive financial burden on future generations. Here a four-generation society requires, in addition to financial transfer, the development of a policy that exploits the potential of all generations. Secondly, costs must be cut in the healthcare system and the health service must be adapted to the demographic conditions (→ **Health Policy**). Thirdly, the rate of invalidity, particularly among young people and people with mental illnesses must be reduced, and invalidity insurance must also be consolidated financially. As the risk of poverty and

Massive increase in costs since the 1990s:

Largest absolute increase for occupational pensions, AHV, mandatory health insurance, invalidity insurance and unemployment insurance

Largest percentage increase in costs for unemployment insurance and compulsory health insurance

Largest increased burden for per capita premium payers and the public purse

High efficiency by international standards

Rise in the level of social expenditure

Main challenges:

Demographic ageing and flexible retirement age without burdening future generations and exploiting the potential of all generations

Cost curbing in the health service

Countering risks of exclusion and benefits dependency, encouraging social and professional integration with close cooperation

between those involved,
consolidation of invalidity
insurance
Compatibility of raising
children and working, risks
due to instability of family
relation ships
Interaction between social
and economic policy
Funding issues

exclusion is greater for people with multiple problems, such as inadequate qualifications, such people must be assisted towards professional and social integration.¹⁰⁶ In this connection, specific rehabilitation measures and general conditions for integration, such as basic and advanced training are necessary; these must be regarded as social investments (→ **Education Policy**). In addition, increased cooperation must continue to be pursued between the various institutions responsible for integration, as has already been the goal in previous years. Fourthly, the compatibility of bringing up children and working must be ensured in the case of changing family forms, and better cover must be given for the risks arising from the instability of family relationships. In the socio-political debate, the interaction between social security and economic systems will increasingly play an important role. The increase in labour market participation, through the organisation of the transition to retirement, the compatibility of family and employment or the organisation and incentive effect of social benefits, is a factor in economic growth. This is not least a requirement for guaranteeing that the transfer payments and the invested capital (e.g. 2nd pillar) can be invested in future on profitable terms (→ **Economic Policy, Labour Market Policy**). The issue of the funding of social insurances has become a crucial national-political question (→ **Financial Policy, Constitution and Institutions**). With a continual expansion of the social insurance system, the new challenges cannot be overcome. Far reaching reform proposals that focus on an increase in personal responsibility in relation to prevention and provision, and actual social political system change will continue to play a certain role in the political debate. Social problems manifest themselves in the central communities of the cities and there increasingly in individual districts, and in part in the districts on the periphery of the cities. To solve such problems, the close cooperation of the Confederation, cantons, cities and communes is required.

The retirement age challenge:

Individualisation of lifestyles of older people as well due to higher life expectancy, better health and education
Potential for taking on social duties and longer participation in the labour market

The trend towards individualising the course of one's life, even for older people, should continue. On the one hand, despite increased life expectancy and better health and education, a great many workers will continue to take early retirement. In practical terms, this could lead to there being a lower proportion of workers among the over-sixties. On the other hand, improved levels of health and education will increase the ability and desire of older persons to work (→ **Health Policy, Education Policy**).¹⁰⁷ Increasing numbers of men and women who have taken early retirement feel insufficiently challenged in their new lives: They would like either to take on new duties within society or to continue to work. A new social potential is becoming apparent here, one that should be exploited in the interests of both older people themselves and of society as a whole. In this sense, a comprehensive policy with regard to the generations becomes increasingly important: types of work and activity have to be found that are adapted to the experience, abilities and interests of older people, which also enable them to undertake socially meaningful activities. Second careers and various forms of voluntary social service should be encouraged. This can also lead to greater solidarity between older people and between the generations. The cantons also have a particular role to play in this respect.¹⁰⁸

Employment prospects of older persons dependent on the economic situation
Inflexible increase in the retirement age would in part cause the shifting of costs to unemployment, invalidity insurance, and social assistance
Increasing significance of a balance policy towards the elderly
Harmonisation of retirement age for women and men
Pre-retirement benefit intended in the 11th AHV Revision
Measures planned to increase labour market participation of old people

It should be noted that the employment opportunities for elderly people are dependent both on more flexible and specially adapted employment opportunities being made available by businesses and on the economic climate: the more favourable these factors are, the easier it is for older people to work longer. In times of high unemployment, increased use of the possibility of early retirement will be made and will be encouraged by businesses. Introducing a flexible retirement age can therefore operate as a cyclical shock absorber for the labour market (→ **Economic Policy, Labour Market Policy**).¹⁰⁹ An increase in the retirement age would lead to lower expenditure on AHV, payments supplementary to AHV, and in occupational pensions. The younger generations would pay less, the older generations more. From the moment that a person becomes entitled to an AHV pension, that pension takes the place of invalidity insurance benefits, or of unemployment benefits for unemployed people, and for some of social assistance benefits. An increase in the retirement age therefore leads to higher costs in unemployment insurance, invalidity insurance and in supplementary invalidity benefits as well as in social assistance, and this reduces the cost-cutting potential of the measures. In future, therefore, a balanced policy towards the elderly will be of increasing significance. The organisation of the transition from working life to retirement will also become an ethical question: how can old age provision be organised so that economic and financial considerations and the cost to

younger generations, as well as the right of self-determination and the dignity of elderly people can be taken into account in a balanced manner? As part of the 11th AHV revision (new version), the Federal Council intends to unify retirement ages: the retirement age for women will be the same as that for men. At the same time, the draft provides for an extension of the flexible retirement age introduced by the 10th AHV revision and the introduction of a pre-retirement benefit for those in straitened circumstances who cannot cope with the financial repercussions of early retirement. This pre-retirement benefit is a solution that targets a specific group and should be made part of the system of supplementary benefits.¹¹⁰ In order to counter the trend towards early retirement and encourage the participation of older people in the labour market, numerous measures are under discussion in the field of social insurance, health in the labour market and employability (→ **Labour Market Policy**).¹¹¹ Some of these measures should be put in place as part of the structural reforms of the occupational pension system. The Federal Council is expected to issue a dispatch on this in the first half of 2007.

With the 11th AHV revision, the question of an adjustment of the retirement age in the first pillar does not become meaningless. The increase in the average age of the workforce is linked to demographic ageing and a decline in the numbers of the working population must be expected. The potential of women and elderly people for increased participation in the labour market, factors and institutional regulations relevant to the time for taking retirement, and the policy of businesses on retirement and pensions are therefore key issues in the current debate. The aim is to develop a new pensions system that is no longer based on a fixed retirement age. In addition, the influences of socio-economic differences on old age provision, the relationship between the AHV and other socio-political systems, and the influence of the international mobility of persons on old age provision (→ **Migration Policy**) will be important issues. The future organisation of old age provision will also depend on the general material conditions. The expected structurally-related gaps in financing of AHV will make measures related both to financing and to payments necessary. The financial requirements of the AHV together with the sources of finance therefore remain a central issue (→ **Financial Policy**).¹¹² Along with the reform of the pensions system, they will be the subject of the revision to follow the 11th AHV revision (second version), which is intended to achieve a financial balance by 2020.

Even after the first revision of the Occupational Pension Provision Act (BVG) and despite the financial restructuring measures following the stock market slump from 2002, the funding of future pensions in the 2nd pillar remains an issue in need of urgent attention. The main parameters that require adjustment in relation to the pensions and the mathematical reserve are the conversion rate, the technical interest rate and the minimum interest rate. These rates must be regularly adjusted to take account of demographic trends and the forecast investment returns. On 22 November 2006, the Federal Council approved the dispatch on the adjustment of the minimum conversion rate for occupational pensions and submitted it to the Federal Assembly. In view of the fact that in the long term a substantial decline in the profits made on the financial markets must be expected, the minimum conversion rate must be reduced from 1 January 2011 from the current 7.1 per cent for men and 7.2 per cent for women to 6.4 per cent for both sexes. In addition, thanks to the measures introduced by the 5th IV Revision (narrower definition of invalidity, early recognition, rehabilitation and inter-institutional cooperation), the number of invalidity pensions in occupational pension provision will not increase any further and savings of around CHF 435 million can be achieved. A revision of the BVG is not required, as the BVG is based on the same invalidity definition as the IV.¹¹³

Due to the continuing development trends in the labour market (flexibility of working hours, increase in part-time work, increase in performance related salary elements, greater segmentation of salary levels in accordance with professional qualifications) (→ **Labour Market Policy**), various population groups will remain exposed to risks that are not covered, or are not sufficiently covered by the ongoing consolidation of the social insurance system.¹¹⁴ This will affect employees with few qualifications, the long-term unemployed, non-registered unemployed and their families, and a disproportionate number of women, in particular lone parents. Even active persons in full-time employment and their dependants are not entirely safeguarded against poverty: in 2005 the percentage of house-

Key issues after the 11th AHV revision:

Influence of pension regulations on participation in the labour market, socio-economic balance, link with other social insurances, international mobility of insured persons, financial requirements and sources of finance

Financing also a key issue in the 2nd pillar

Reduction of the conversion rate

Fewer invalidity pensions in the 2nd pillar thanks to the 5th IV revision

Challenges for the basic safety net:

Social risks due to trends towards flexibility and segmentation in the labour market

Low-qualified, long-term unemployed, non-registered unemployed and women and above all lone parents are at special risk

Working poor problem for lone parents, large families, low-qualified, and self-employed

New social risks with inadequate social insurance cover
Problem of increase in use of social assistance

Integration of the foreign population

holds of persons in full-time employment (at least 36 hours per week) that were living below the poverty line was estimated at 4.2 per cent (working poor); those affected were in particular lone parents, large families, the poorly qualified, and the self-employed.¹¹⁵

Even after current and intended reforms have already been carried out, there will be loopholes in the social insurance system.¹¹⁶ In the first place, they cover a loss of income or similar burdens that are the result of specific events (death of the breadwinner, invalidity, old age, illness, accident, unemployment, etc.). They are not however intended to cover the risk of long-term exclusion from the labour market, precarious labour relations (→ **Labour Market Policy**) or unstable family conditions. As an increasing number of people are affected due to social and economic trend, social assistance is growing in importance as a “safety net”,¹¹⁷ and is more and more often taking over the function of a basic safeguard for those who are not or not adequately covered by payments made within the scope of the social insurance system.¹¹⁸ This represents a growing burden on the cantons and communes. The integration of people from abroad who speak a different language and belong to a different culture is a further challenge for institutions. This applies in particular in the areas of health care, education and employment. The aim is to guarantee non-discrimination and equality of opportunity and to seek intercultural openness (→ **Health Policy, Migration Policy**).¹¹⁹

Reorientation for social policy:

Active labour market and integration policy

Concern over the conflict of goals between social protection, employment incentives and the burden on social insurance funds and the public purse

Joint plan of action

For the past ten years, the active side of social policy has been reinforced. Unemployment insurance has introduced labour market measures, and at the same time various cantons have put rehabilitation subsidies in place. Social assistance is increasingly being used in tandem with integration measures; in addition, the employment incentives in the latest version of the recommendations of the Swiss Conference of Welfare Institutions have been increased.¹²⁰ Experience in the field of integration shows that the social security system must offer workers a variety of benefits. Those affected must be protected effectively from poverty and at the same time the incentives to work must be maintained. On the other hand, people who have no access to the labour market must be given advice and support; the existing integration programmes often do not allow them to obtain the required qualifications (→ **Education Policy**) and are not tailored to their individual requirements. For a number of years, numerous projects on inter-institutional cooperation have been conducted whose aim has been to reintroduce people with complex problems more quickly into the labour market. The Confederation and cantons have devised forms of binding cooperation via the authorities responsible for unemployment insurance, invalidity insurance and social assistance thanks to which the situation of any person concerned can be analysed, both from a medical and a professional point of view, and individual rehabilitation plans can be drawn up (Project IIIZ-MAMAC). The success of this cooperation in reintegration of persons who are long-term excluded from the labour market is highly significant (→ **Summary**). The key interest in this cooperation on integration is the social security of people of working age. Here all the alternatives and additions to the applicable system experience a conflict of aims: the objective is to guarantee the most effective and targeted protection for those affected at the lowest cost and at the same time to maintain the incentive to hold down a job. Under discussion is an integration allowance for all those who are in a certain level of part-time work, and a tax credit for people in work (→ **Financial Policy**). These proposals require that a person is in gainful employment, which, depending on the labour market situation, could prove to be problematic. Nevertheless, the discussion must go on.¹²¹ It would also make sense to bring together the participants at various levels in the battle against poverty in order to examine whether a joint action plan should be devised.¹²²

Coordination and increased integration of social benefits and services

Development of an information system for the supervision of the effectiveness of the social security system (incl. welfare)

At the same time, however, there is pressure to improve coordination and integration of social benefits and public services in the various policy fields relevant to social security and poverty – in addition to social policy, in particular policies on the labour market, foreigners, health, housing, the family and education (including pre-school education and vocational training)¹²³ and tax policy – if the intention is to prevent people from falling into actual poverty in future (→ **Labour Market, Education, Financial, Health, Gender Equality, Migration, and Housing Policy**).¹²⁴ These coordination efforts are also highly significant for those who do not live in poverty, but who, due to a lack of suitable struc-

tures or for tax reasons could reduce the amount that they work (for example, women who have to decide between a career and family work such as looking after children or elderly parents). A study on the disposable income available to households has shown that the economic situation after the bills and taxes have been paid depends to large extent on where a family or person lives. This leads to unfair differences and to incoherence.¹²⁵ In addition, the effects or changes or interference in the area of social insurance on social assistance must be better assessed. The new social assistance statistics that cover the whole of Switzerland provide the basis for being able to properly ascertain the consequences and shortcomings in dealing with social risks and to examine the effectiveness of social security systems. The statistical information currently compiled by the Federal Statistical Office on the financial situation of households and on middle income groups will in future also provide information on the effectiveness of the social security system.¹²⁶

Since the 1990s, the number of people who receive an invalidity pension has increased considerably. This increase is not simply due to an ageing population or the poor economic situation; the probability of becoming a recipient of invalidity benefits is generally increasing in all age categories. Since 1992, the number in receipt of an invalidity pension has increased each year on average by 4.5 per cent. In January 2005, 5.4 per cent of people of working age were in receipt of an invalidity pension. However, in the past three years there has been a reversal of the trend. The invalidity insurance monitoring data shows that in the first half of 2006 in comparison with the first half of 2003, 30 per cent fewer new pensions were granted. Despite this improvement, the financial situation in invalidity insurance still gives cause for concern. The level of debt is growing rapidly and is jeopardising its creditor, the AHV compensation fund. Invalidity insurance urgently requires more funds in order to be able to reduce its deficit. The Federal Council, with a view to balanced long-term funding, has proposed in its dispatch on the 5th Invalidity Insurance Revision that salary contributions be increased by 0.1 per cent and in its dispatch on the Invalidity Insurance Additional Funding that VAT be increased by 0.8 per cent for the financial restructuring of invalidity insurance. Here a salary percentage point corresponds in terms of income to a percentage point on VAT (currently around 3 billion francs), and the additional requirements amount to a total of 0.9 VAT equivalence points. Of this, 0.7 VAT equivalence points are provided to finance annual expenditure and 0.2 for the repayment of the accumulated debt to the AHV fund. Due to the lower number of new pensions, the requirements can be reduced by 0.1 per cent to a total of 0.8 VAT equivalence points. 0.2 per cent goes to service the debt and 0.6 per cent to the funding of current expenditure. The increase in the number of recipients of invalidity benefits also has serious social repercussions. More and more people, many of them young, are unable to work, often due to mental illness. This means that invalidity insurance continues to face the challenge of reducing the increase in new pensions, eliminating the lack of incentives towards reintegration and of reorganising the insurance in financial terms. The 5th Invalidity Insurance Revision introduces new prevention and integration instruments. The aim is to recognise the risk of invalidity sufficiently early and to act at an early stage so that chronic health problems can be prevented. The efforts are aimed at allowing people to remain in their current jobs, but also at measures for reintegration.¹²⁷ Here it is crucial that everyone affected by the risk of invalidity cooperates (employers, the daily allowance insurance, accident insurance, unemployment insurance, the doctors concerned, social assistance, etc.). As part of the invalidity insurance research programme run by the Federal Social Insurance Office, it is planned to close the current gaps in our knowledge of invalidity insurance and of how to implement the reforms that have been initiated, so that this social programme can be managed in a sustainable manner.

Compulsory accident insurance (AIA) is developing in two directions: on the one hand, the number of occupational accidents and illnesses has been decreasing for years and the number of accidents unconnected with work has for a long time been high but stable. On the other, the trends in the cost of accident insurance have been much less positive than the number of accidents. The increase in costs is largely due to demographic developments: the average age of the accident victims is higher. This means longer convalescence times and an increased risk of invalidity. The increase in life expectancy brings a need for more comprehensive pension capitalisation. The economic situation has the same effect on the costs of accident insurance as it does on those of invalidity insurance (→ **Economic**

Invalidity and disability:
Increase in recipients
of invalidity benefits
Additional funding needed
Risk of exclusion, early
action and cooperation
of all concerned is vital
Invalidity insurance
research programme should
indicate where action
is needed

Accident insurance:
More recreational accidents
than work-related accidents,
higher costs due to demo-
graphic developments

Policy).¹²⁸ A revision of the Accident Insurance Act (AIA) is being prepared. The Act should be adapted to the requirements of a modern social insurance system. In the bill submitted for consultation, the emphasis is on the better coordination of accident insurance benefits with those of the 2nd pillar and invalidity insurance, as well as the liberalisation of the premium tariffs of private AIA insurers. In addition, it is planned to adapt the organisation of SUVA (Swiss National Accident Insurance Fund) to the principles of corporate governance and to regulate the subsidiary activities of SUVA.

Social change and the family policy challenge:

Socio-political challenge as a result of the shrinkage of the familiar networks and the reduced stability of partnerships

Persons with household and child-raising duties (above all women and single parents) receive inadequate protection from the social security system

Social developments lead to more individualised and new ways of living (smaller families, more childless couples, high divorce rate, second families, couples of the same sex, more single parent families and single person households). Some of these ways of living tend to lead to reduced capacity in the familiar networks.¹²⁹ The reduced stability of partnerships and families can also lead to an increase in serious cases of financial need. This development in particular affects those persons who are predominantly involved in looking after the household and bringing up children, such as single parents. In addition, poorly qualified workers (often women) are commonly employed in part-time jobs, or jobs that have little security, and these positions offer very little social protection (→ **Labour Market Policy**).¹³⁰ The level of public expenditure on families in Switzerland, which is relatively low in international terms, could in the coming years result in the weighting in the social security system (level of social insurance contributions) only meeting part of the future requirements. Current policy, despite initial readjustments, is dominated by payments to the elderly, while those who have to look after children are only supported to limited extent. Given the retention of the current orientation of family policy and with progressive demographic ageing, the financial burden caused by having children could result increasingly in socio-political tensions between the generations and to economic losses (→ **Constitution and Institutions, Economic Policy**).¹³¹

Better general conditions for families and partnerships:

Harmonisation of family allowances, tax relief for families

Supplementary benefits for low income families

Improvement of occupational pension provision for temporary and part-time workers, those with several employers and artists

Opening the 3rd Pillar to non-workers

Whereas the cantons and the communes, which have the basic responsibility in family policy matters, have already introduced improvements,¹³² certain adjustments planned at federal level have yet to be implemented in full. On 14 March 2006, the Federal Parliament passed the Federal Act on Family Allowances, which for the first time lays down minimum standards for the whole of Switzerland and harmonises the requirements for the payment of family allowances. The Act was approved by voters in a referendum on 26 November 2006. In the area of family taxation, a revision will be carried out in two stages. Immediate measures are being taken to reduce the so-called married couple penalty (i.e. the fact that a married couple where both spouses work is worse off than an unmarried working couple); the reform is planned to come into force on 1 January 2008. In a second step, a fundamental reform of family taxation will be undertaken. Here the issue relates to the system (splitting of spouses and/or individual taxation). Families should also be provided with more support through an adaptation of the law on social insurance. Compensation for the burden on families and the recognition of the contribution they make is currently being reviewed. The Committee for Social Security and Health of the National Council is working on a project on supplementary benefits for families on low incomes; various methods of reducing poverty among families, of providing incentives to work and of making family and work more compatible are conceivable.¹³³ The improvement of protection against the risks of old age for persons who work within the family has already been introduced as part of the current consolidation work on AHV and BVG (parental and carer credits under AHV; improvement in the position of divorced women under AHV and BVG). As part of the 1st BVG Revision, cover has been extended to people on lower incomes (reduction of the eligibility threshold) and cover for already insured low incomes has been improved (reduction of the coordination deduction). In the occupational pension scheme, the pension funds may reduce or simply not charge the coordination deduction for those who work part-time. A study is being made of how occupational pension provision can be improved for certain types of employee (people who work temporarily, part-time or for more than one employer, artists). Also being looked into is the question of making Pillar 3a available to those who do not work.

Compatibility of raising children and working:

An insufficient birth rate reduces economic growth in the long term (→ **Economic Policy**); the structural imbalance in the age of the population is a burden on income due the social insurances that have to be paid, and in the long term calls into question the

quality of Switzerland as a business location as well as its social well-being.¹³⁴ Currently, however, the low average number of children is continuing to decline.¹³⁵ Among the more highly qualified sectors of the population, it is especially low. At the same time, both the business community and parents themselves want parents to participate more in working life. Many women want to work more and to make better use of their qualifications in the work they do (→ **Labour Market Policy, Constitution and Institutions**). As housework and raising children are tasks still predominantly fulfilled by women, the problem of the compatibility of work and family is primarily a problem for women. The majority of men, and especially fathers, still work full-time. This double burden on women may be one of the reasons for the low birth rate and the related demographic problems Switzerland faces.

¹³⁶ An improvement in the conditions of motherhood and childcare both within and outside the family are having a positive effect here. Although the demographic structure cannot be stabilised through family policy measures, a reform of the policy on families that includes additional infrastructure for childcare outside the family and the structuring of school hours to take more account of working parents (→ **Education Policy**) is becoming increasingly important. The policies in this direction have already been partially introduced by Parliament and the Federal Council: since 2003, the Confederation has provided subsidies for childcare outside the family. This incentive funding is limited to an eight-year period.¹³⁷ Since 1 July 2005, mothers have received a maternity allowance for 14 weeks following the birth of a child that is equivalent to 80 per cent of their earnings.

Demographic developments are leading to a four-generation society, which brings a need for modifications (→ **Constitution and Institutions**). Policies will have to take increased account of this in future and must develop a horizontal approach to support relations between the generations (→ **Summary**). The relations are not limited to the payment of social benefits. Private transfers and benefits in a form other than money, such as nursing and other services is of enormous importance. The task is to recognise their potential, and also their limits. Relations between the generations also contribute to social integration of young and older people.¹³⁸

Despite the recent increase in levels of home-ownership, Switzerland remains a nation of tenants. Tenancy law is therefore a burning political issue and the subject of constant debate. Although its current disadvantages are largely undisputed, efforts towards reform are making little progress. Proposals were rejected by the electorate in 2003 and 2004,¹³⁹ and the latest efforts are meeting with widespread resistance. It is probable that we will have to be satisfied with slow progress and will have to examine whether and to what extent the revision of the ordinance can contribute to reducing certain problems that affect both landlords and tenants, for example in connection with the linking of rent and mortgage interest rates, service charges and the allocation of the added costs of carrying out energy saving structural alterations. In addition to the general provisions on tenancy law, in the coming years the provision of accommodation to financially and socially disadvantaged people will remain an issue. A large percentage of the population is confronted with very high housing costs when compared to their income, which is why there is a continued need for property developers who build competitively priced residential accommodation where it is needed. On the other hand, it must be ensured that a substantial stock of suitable housing is maintained, which requires socially acceptable renovation activities. In addition, it has become apparent that the rising age of the population, the change in the form of families and households, immigration and new lifestyles and working practices bring a need for changes to be made in the construction and renewal of accommodation that take account of the change in requirements. In the Federal Act on the Promotion of Affordable Accommodation, Switzerland has an instrument with which it can effectively support non-commercial developers in the fulfilment of these tasks by means of subsidies and guarantees, model projects and research.¹⁴⁰

The bilateral sectoral agreements with the European Union and its member states also affect the Swiss social insurance system via the gradual liberalisation of the free movement of persons (→ **Foreign Policy**). With the Agreement on the free movement of persons (FMA), which came into effect on 1 June 2002, the coordination provisions of the European Union now apply in the field of social security. These work like a multilateral social insurance agreement in that they coordinate the domestic legislation of the countries

Unbalanced demographic development could lead to macro-economic losses
Low birth rate still on the decline
Compatibility of raising children and being in gainful employment must be ensured

Generation policy:
Voluntary work and intergenerational relations increasing in significance

Meeting the housing needs:
High percentage of tenant households and high housing costs
Revision of tenancy law in small steps
Promotion of affordable housing for financially and socially underprivileged through targeted federal subsidies to non-profit developers
Socially acceptable renovation of existing housing
Consideration to be given to social changes in housing construction

Repercussions of European policy on social insurances:
Rules applicable within the European Union have to a large extent been adopted

Coordination with EU states: safeguard what has been achieved

Additional costs for Unemployment Insurance are difficult to quantify, as they are dependent on the future numbers of short-term residents in Switzerland

involved on health and maternity, invalidity, old age, death (benefits for survivors), occupational accidents and disease, unemployment and family benefits on the basis of specific principles that are required for the functioning of the single market (coordination of insurance cover for migratory workers).¹⁴¹ With the extension of the FMA to the ten new member states that joined in 2004, the area in which social insurance has to be coordinated has expanded and the need for coordination has increased. The close cooperation between Switzerland and the EU countries can only function at its best if all those involved apply the same rules. The EU coordination provisions are constantly developing in order to remain in line with developments in national legislation, legal precedent and in practice. Switzerland is following these developments and is adopting the new provisions wherever possible (amendment of Annex II to the FMA on Social Security) in accordance with the requirements of the Europe Report 2006.¹⁴² The EU is now in the process of adapting and modernising the entire coordination system.¹⁴³ Even if this does not result in a change in the ground rules for coordination, there will nonetheless be certain new provisions. The most important are that the personal scope of application will be extended to cover non-earners, pre-retirement rules will fall within the material scope of application, the list of non-exportable benefits will be shortened, inter-institutional cooperation between states will be expanded, the access to cross-border medical treatment will be made easier (treatment abroad must be allowed if it cannot be provided in the relevant state within a reasonable time; improvement of the position of family members of frontier workers) (→ **Health Policy**); the provisions on unemployment insurance will be simplified (the period over which an unemployed person can seek work in another state will be extended to 6 months). Switzerland can only guarantee the proper functioning of free movement of persons if it also adopts these new regulations in its dealings with EU member states. This does not present any major difficulties, because the coordination principles remain the same. Various issues however must be examined in detail, however, such as the new list of non-exportable benefits. In the negotiations on the FMA, Switzerland succeeded in having its incapacity allowances added to the list. This means that these allowances will only be paid to people who are resident in Switzerland. The EU, however, is now applying stricter criteria for inclusion in the list. There is therefore a risk in future that it will no longer be possible to include incapacity allowance in the list of non-exportable benefits. The expansion of the personal scope of application and the application of all coordination provisions to non-earners also may lead to changes that still require to be evaluated (e.g. access for children to invalidity benefits). The opportunity for unemployed frontier workers to seek work in their former country of employment could also have financial and economic repercussions (→ **Economic Policy, Financial Policy**): In terms of the new European regulations, the country of employment must refund various unemployment benefits that are paid to frontier workers. In contrast, the unemployment insurance contributions from frontier workers and short-term residents will not be transferred following the transitional period (i.e. from 31 May 2009). However, it is probable that these new rules will not be applied in the EU until the revision of the implementing provisions is concluded. This is unlikely to happen before 2009.

Increased financial requirements to 2015

Significant increase in funding required to maintain status quo

Increased financial requirements mainly due to AHV and health insurance

High economic growth will provide relief, low growth will be a burden mainly via unemployment and invalidity insurance

An updated overview indicates that, subject to plausible demographic and economic development, the annual expenditure on mandatory social insurances will increase in real terms¹⁴⁴ between 2005 and 2015 by CHF 18.7 billion (absolute increase in demand, all figures based on 2005 levels). Measured against GDP, the relative financial demand will increase in the same period from 22.2 per cent to 23.1 per cent (→ **Financial Policy**). The relative increase in demand is clearly lower (0.9 GDP percentage points) than the absolute demand, because in the period under observation economic growth will take place and GDP will increase from CHF 453 billion to CHF 515 billion. The financial increase in demand is above all due to the AHV (0.9 GDP per cent) – as a result of demographic trends – and to health insurance (0.5 GDP per cent). In unemployment insurance, on the other hand, it is assumed that the level of expenditure for 2005 of 1.6 GDP per cent is due to the economic situation and will adjust itself by 2015 to 1.2 per cent. The falling financial demand in unemployment insurance between 2005 and 2009 is based on the assumption that in this period the unemployment level will fall, and in the medium to long-term the assumption is that the number of unemployed will average 125,000 (→ **Labour Market Policy**). Economic growth will have a fundamental influence on the development of the relative additional burden: strong economic growth based on a significant increase in

productivity would lead to a relative reduction in the burden in particular in relation to AHV and invalidity insurance (mixed index) and thus to a lower increase in demand (→ **Economic Policy**). Strong economic growth associated with increased levels of employment would provide significant relief to the AHV and invalidity insurance funds. On the other hand, low levels of economic growth would place a general strain on the funding of social insurance; in particular, unemployment and its direct and indirect costs would increase (→ **Economic Policy, Labour Market Policy**).

The long-term financial prospects for social insurance beyond 2015 are fraught with considerable uncertainty. In particular, the parameters of economic growth are becoming very broad and this is highly problematic in relation to the closely related questions of funding (relative increase in demand). The results of the survey for the period beyond 2015 are therefore based on rough estimates. Due to the expected demographic development, it can be assumed that after 2015, above all in the AHV and in supplementary benefits, the increase in demand will be accentuated overall, while in various social insurance branches such as IV, EO, BVG, accident insurance and child allowances, the financial requirements will develop in line with GDP. For health insurance, as a result of technological developments in the field of medicine and the increased take-up of medical services, an increase in financial demands is to be expected (→ **Financial Policy**).¹⁴⁵

The relative increase in demand should be funded from a variety of sources according to the reform proposals put forward by the Federal Council. A disproportionate share must be borne by the private individual and the public purse. In health insurance, increased demand must be paid for primarily by private households by means of increased premiums (per-capita contributions), with a corresponding burden to be expected on federal contributions through increased premium subsidies (→ **Financial Policy**). Public contributions will increase more than the national economy, in particular due to the fixed proportionate share in the growing expenditure on AHV. For the public purse, the cost of social insurance is set to rise from an equivalent of 4.2 per cent GDP in 2005 to 4.8 per cent in 2015. For the Confederation, the burden is set to rise between 2005 and 2015 from 2.9 GDP percentage points to 3.3 per cent, for the cantons from 1.3 to 1.5 GDP percentage points.¹⁴⁶ Overall the funding problems related to social insurance are closely related to financial policy on the government budget in terms of the agreed and intended policy (→ **Financial Policy**).

Given the intended policy of the Federal Council, a further increase in the level of social expenditure must be expected in the medium term, above all due to demographic ageing. The extent to which this will negatively influence Swiss competitiveness is to some extent dependent on trends in other OECD countries (→ **Annex A1, Economic Policy**). On the one hand, all industrial countries are confronted with similar problems of demographic ageing and must increase their levels of social expenditure in order to maintain the same levels of benefits. On the other hand, it is not certain that the level of benefits in other countries will remain the same. On the basis of the assumption made here that no basic and continuous reduction in the level of social benefits will take place in the main OECD member states, sample calculations made to date have come to the conclusion that in the medium term Switzerland may be affected economically only to a minor extent both by a future increase in financial demand to maintain the current level of benefits until 2015, and by gradual expansion and reduction scenarios, such as have been worked out by the second inter-departmental working group on future financing of social insurances (IDA FiSo 2).¹⁴⁷ From the economic policy point of view, the targeted implementation of the intended policy would therefore mean that a certain scope remains in the medium to long term for new benefits to be introduced (→ **Economic Policy**). In terms of the agreed financial policy (implementation of the debt brake), however, the room that social policy will have to manoeuvre in order to react to new challenges will continue to remain dependent in the coming years on reductions in expenditure in other areas of the federal budget (→ **Financial Policy**).

So far the intended policy assumes that the current system of social insurance has proved its effectiveness and that there is no call for overall reform in the medium term. Reforms that are required should continue to be implemented at the level of the individual branches

Additional financial requirements between 2015 and 2030:

Major uncertainties over the prognosis

Demographic trends to cause significant additional expenditure after 2015

Repercussions for the public budgets:

Under the applicable funding mechanisms, a disproportionate burden on private and public budgets

Under the agreed and intended policy to date, close relationship between social insurances and public budgets

Funding prospects and competitiveness:

Increasing expenditure on social services as a consequence of demographic ageing

Minor repercussions for competitiveness and economic growth

From an economic point of view, scope for new generation agreement is available – finance policy goals restrict this scope though

Need for reform and room to manoeuvre in terms of intended policy:

No overall reform but reform of individual social insurances

Consolidation with minor changes in benefits possible if economic growth is favourable

Need to regard new instruments as a social investment

Demands for fundamental change of system:

Switzerland regarded as model case

Reforms in direction of general fully funded system problematic

Reform in direction of subsidiary safety net and negative income tax – risk of selective acceptance and split in society

of social insurance. Dealing with the demographic change in the long term without making serious cutbacks on the benefits side of the social security system will however require favourable economic growth coupled with comparatively low unemployment in international terms (→ **Economic Policy, Labour Market Policy**). With annual growth of 1.5 per cent, social expenditure could be stabilised at the 2005 level by 2030 without cuts in benefits. If growth of 1.0 per cent is assumed, then for a stabilisation by 2030 cuts in benefits of 12.2 per cent would be necessary.¹⁴⁸ Better support for families and lone parents or new coordination and integration tasks for the Confederation in poverty-related political fields (→ **Social, Labour Market, Migration, Health, Housing, Family and Education Policy**) would require additional funds. However, these investments are also social investments, which generate income in the long term and prevent social costs being incurred.¹⁴⁹ What is required would be the relevant prioritisation in financial policy and adequate acceptance within society (→ **Financial policy, Constitution and Institutions**).

Looking to the expected accentuation of demographically related additional costs in the long term (from 2015) and dependent on future growth of the economy as well as the financial condition of the governmental budgets (→ **Financial Policy**), basic reform processes in individual areas may continue to play a certain role in the social policy debate. With regard to privatisation, in other countries there may be calls for reforms in direction of fully funded systems, with increased returns and funding advantages being cited. Switzerland, already familiar with a three-pillar system (and especially with a well developed second pillar) in which both financing methods (fully funded and pay-as-you-go [PAYG] system) complement each other, is often regarded as a model case. In general, a change from a pay-as-you-go to a fully funded system means that in the transitional phase those in gainful employment have both to finance pensions and to build up their own pension capitals. In order to avoid an unbearable burden on these generations, comprehensive state resources would be needed (→ **Financial Policy**). In Switzerland, a further shift towards a fully funded system or even a change from the current mixed system to pensions financed exclusively by the fully funded system would be additionally problematic for a variety of reasons.¹⁵⁰

The debate on how the social insurance system can be funded has also led to a call for change to a subsidiary safety net based either on means testing or on a system of negative income tax (replacement of AHV, Unemployment Insurance (ALV) and social assistance). Any change of system to negative income tax would require radical changes in the social insurance system. It therefore cannot be implemented in the short to medium term. In the longer term, however, it may make sense to examine this form of change of system to determine possible advantages and disadvantages (→ **Constitution and Institutions, Summary**).

Health Policy and Healthcare Provision

State of health of the population:

Increased life expectancy and falling mortality rate

Increase in the number of behavioural illnesses and medical conditions linked to personal circumstances

Lower social strata and poorly integrated persons more seriously affected

The health of the population is determined by a range of factors, such as general social and economic conditions (education, employment conditions, social position, family and social structure, environmental pollution), lifestyle (diet, amount of exercise, employment conditions, addictions), biological factors (genetic makeup, age, sex) and access to the required health care. While the state of health of the Swiss population in terms of life expectancy and the mortality rate has never been so good as it is today, an array of chronic illnesses can be identified that are based on behavioural factors or that result from personal circumstances, especially those that are due to obesity (diabetes, cardio-vascular disease), smoking (cancer, lung disease) and other addiction-related problems, psychological problems such as serious stress, and unhealthy working conditions.¹⁵¹ At the same time, new infectious diseases occurring around the world (SARS, influenza pandemics) present a further threat not only to the health of the Swiss population, but also to the health system itself, and lead to a call for increased international cooperation¹⁵² (→ **Annex A1, Foreign Policy**). In addition, the combined effects of acute and chronic illnesses and disorders that may lead to early death increasingly affect those in the lower socio-economic strata and those sections of the population that are the least well integrated (→ **Social Policy, Migration Policy**).

It is a central tenet of Swiss healthcare provision that access to medical facilities is guaranteed for the entire population. Even those with basic health insurance are relatively free to choose who should provide their healthcare (free choice within the canton of residence, for in-patient care from the cantonal hospital list) and have in comparison with those in other countries a wide range of high-quality medical services available to them. By international statistical comparison in relation to social insurance payments in the area of “disease/health care provision”, Switzerland with expenditure equivalent to a share of the gross domestic product of 7.1 per cent in 2003 lies below the average for the EU countries of 7.7 per cent.¹⁵³ In contrast, overall expenditure on healthcare in Switzerland is relatively high when compared with other OECD member states. As in the 1990s, in recent years Switzerland has shown the highest increase in expenditure on health as a percentage of GDP of any of the highly-developed economies and at 11.6% in 2004 again took second place behind the USA (15.3%). However, this comparison must be viewed with some caution due to differences in systems and definitions at an international level.¹⁵⁴

Under the new Health Insurance Act (HIA) of 1996, the main objectives of strengthening solidarity among policyholders (single or per capita premium system) and access for all policyholders to the Swiss health service (compulsory insurance) have so far been achieved. In contrast, it has not yet been possible to stabilise the costs. Although the HIA has provided a positive impetus in the area of cost curbing, it has not been possible to stem the increase in the level of premiums.¹⁵⁵ Quite the contrary: the premiums for compulsory basic insurance rose in 2002 and 2003 by 9.6 and 9.7 per cent respectively when compared with the previous years. A turnaround in the factors causing increased costs (growing numbers of service providers, incentives to accept additional services and expansion of the range of services due to medical and technological progress) cannot be expected without far-reaching measures being taken. Additional structural costs must also be expected on the basis of the assumptions made on development trends (ageing of the population, accentuation of the achievement-oriented society, segmentation and increased flexibility of the labour market (→ **Labour Market Policy**), changes in eating habits and of attitude to exercise). If this trend were to continue, the health service would in the medium to long term be stretched to its financial limits, both in terms of what the population can be expected to pay as well as what the public purse can afford (→ **Financial Policy**). Of the relative additional financial requirements for social insurance in 2010, around one third will be caused by the expected increase in the costs of compulsory health insurance (→ **Social Policy**). Among the proposals for reform, therefore, the most central issues are cost curbing, funding and cost distribution.¹⁵⁶ However, it must always be borne in mind that the health service does not merely generate costs, but is also an important sector of the economy.¹⁵⁷ In addition, the innovative power and economic growth of Switzerland is to a large extent dependent on the health of the population, while the health of each individual is important in securing the highest possible income and a satisfactory level of consumption. Investments in health are also investments in the development potential of Switzerland (→ **Economic Policy**).¹⁵⁸

The analysis of the effects of the HIA¹⁵⁹ provided a broad range of proposals for solutions by means of which the need for change in the area of cost curbing can be assessed. Some of these proposals have already been taken or are intended to be taken into account in the first and second partial revisions of the HIA.¹⁶⁰ With a view to consolidation (at the level of services paid for and at system level) or optimisation (cost limiting) in the existing system, reforms have been proposed as part of the second HIA revision in following areas: balancing risks, funding care, freedom of contract, premium subsidies, cost sharing, hospital funding and managed care. The main cause of the as yet unsolved cost problem in health insurance has been pinpointed as inadequate control of the volume of services paid for, which is why the focus has been on corrections that have an effect on such quantities. Following the failure of the second HIA revision in the Parliament in November 2003, the Federal Council decided to include the individual largely uncontroversial revision points in a comprehensive strategy and to submit them to Parliament in two separate packages of legislation with following content: freedom of contact between health insurance companies and service providers in the outpatient area should be introduced. The cantons should be free to a certain extent to stipulate to the health insurance companies the minimum number of service providers that must be given contracts in order to provide

Access for the entire population to high quality healthcare

In health-related social benefits, Switzerland is below the average for EU countries

High level of overall healthcare expenditure by international comparison and continued rapid rise

Challenges in relation to costs and funding:

Costs could not be stabilised – turnaround without drastic measures not in prospect

With further increases, funding limits will be reached

Cost curbing, funding and cost distribution at the forefront

Take account of the positive economic effects of the health sector

Aim: limiting costs

Repeal of compulsory contracts in the out-patient area, new forms of cost sharing, monistic hospital funding, new regulations of managed care, new regulation of the funding of care

sufficient services to the public. In order to increase the personal responsibility of policy-holders, the Federal Council wishes to raise the excess paid by adults from 10 to 20 per cent, whereby the upper limit should remain at CHF 700 per annum. In relation to hospital funding, it envisages a change from the funding of institutions to the funding of services, with half of the costs being assumed by the health insurance companies and the cantons. In addition, it wishes to promote the integrated care network (Managed Care) by providing it with a statutory basis as an additional form of insurance. In addition, there will be a separate bill on the new regulations on the funding of care. In a new move, curative nursing will be funded in full by the compulsory health insurance, but the insurance will only make a fixed contribution in francs towards basic nursing care.¹⁶¹ These fundamental system issues were still being considered in Parliament at the end of 2006.

Change of emphasis towards more prevention and health promotion:

Greater emphasis on disease prevention and the promotion of better health

Increasing importance of health responsibilities

Consideration in all relevant political fields

Reduction of economic costs in particular in the case of socially disadvantaged groups

Healthcare provision has to date been focused too exclusively on curative medicine. In future, there must be an even greater change of emphasis towards the state of health of the population, with increased weighting being given to the prevention of disease and the promotion of good health. A healthcare policy directed towards the public as a whole and oriented towards the prevention of disease and accidents and health promotion could reduce the future levels of behavioural and circumstances-related illnesses as well as the severity of many health problems and the increase in the need for care services and could also help to raise the quality of life. This requires on the one hand a political, structural and legal reinforcement of prevention and health promotion as well as a continuation or reorientation of the existing prevention programmes. The health responsibilities of the public, particularly in relation to making use of medical services, must be increased.¹⁶² On the other hand, it is crucial that disease prevention and health promotion be given increased consideration when taking decisions in other political fields.¹⁶³ This applies in particular to environment policy (→ **Environment Policy**), where indirect damage to health due to environmental pollution (particulate matter, ozone) can be reduced, to transport policy, where people can be encouraged to travel every day under their own steam (human-powered mobility) and accidents can be prevented (→ **Transport Policy**), and to employment law provisions, where conditions in the workplace that are detrimental to health must be prevented or measures to promote good health should be encouraged (→ **Labour Market Policy, Gender Equality Policy, Social Policy, Economic Policy**). Numerous other political fields are interlinked with healthcare policy.¹⁶⁴ A healthcare policy with a direct emphasis on prevention and the promotion of better health can be expected to lead to a higher quality of life, reduction of the financial burden on the curative side of the health service and health insurance (→ **Social Policy, Financial Policy**), as well as a reduction in macro-economic costs related to ill health (→ **Economic Policy**). Clear improvements could be made, especially for socially disadvantaged groups who are affected by poverty, poor health and limited decision-making autonomy; this would also better address the risk of an increase in social inequality. In 2007, the Federal Council will consider the future regulation of prevention and health promotion in Switzerland,¹⁶⁵ state its position as part of the sustainable development 2007 strategy and decide on the continuation of the migration and health strategy.¹⁶⁶

Information and communications technologies:

Use of information und communication technology to ensure efficiency, safety and quality in health care

In a modern health system, the appropriate use of information and communications technologies is indispensable. The design, support and improvement of processes as well as the networking of those involved are necessary in order to be able to take account of the change in the general conditions (mobility of the population, specialisation in medical services, cost pressure). Therefore in January 2006 the Federal Council, in the revision of its strategy on the information society defined the issue of "health and healthcare" as one of two focus areas and commissioned the design of an e-health strategy.¹⁶⁷ In the future, the electronic media will probably play an ever more important role in the management of crises. For example, in the event of an epidemic, the electronic media could broadcast essential information very quickly.

Concerted action by all involved:

Coordination between those involved in health care and between policy areas

The experiences of previous years in the major areas of healthcare policy, such as health insurance, high-tech medicine, combating epidemics (SARS, influenza), legislation on pharmaceutical products, genetic technology, and reproductive and transplantation medicine have made it clear that the issue of responsibility in the federalist organised health service is becoming increasingly complex and that close cooperation between the federal

government and cantons, based on common principles, is indispensable. Healthcare Policy as an all-encompassing task will in future require concentrated efforts not only on the part of all those involved (federal government, cantons, communes, hospitals, service providers, interest groups), but also in the various policy areas that are relevant to health (→ **Constitution and Institutions**). The efforts made as part of the dialogue on a national health policy must be continued and the exchange between the Confederation and cantons must be increased. At the same time, an examination must be made of whether, in a manner analogous to that in the education sector, cooperation between the Confederation, cantons and private businesses should be made subject to new regulations within the Constitution.¹⁶⁸

Examination of new regulations on cooperation

Rapidly increasing knowledge and technological progress in medicine and in the natural sciences will again present major ethical challenges to society and academia in the coming years. This can be seen in a variety of new laws that have already been introduced or which are in the pipeline.¹⁶⁹ The successfully initiated dialogue on ethical issues in society must be continued.¹⁷⁰ The problem-oriented and coordinated social and scientific research into the ethical, social, economic and legal aspects of healthcare provision and of the medical system must also be continued (→ **Research Policy**).

Challenge of medical ethics:

Numerous new areas for regulation with questions of medical ethics still unanswered

The healthcare policy debate has revolved for quite some time primarily around the issue of cost limitation and the funding of health insurance. What is being demanded is for example a fundamental revision of the funding of mandatory health insurance¹⁷¹ or more serious moves towards increased competition and even greater personal choice for health insurance policyholders, including a choice in financial aspects.¹⁷² On the other hand, the Federal Council would in principle like to retain the current system, though the measures planned for the longer term, such as the more far-reaching relaxation of rules on compulsory contracts, regulations in the field of managed care models, or the examination of a list of compulsory services in basic insurance, but also the introduction of a card for insured persons could bring considerable change to the present system.¹⁷³ In parallel, the discussions on the reinforcement of prevention and health promotion in the Swiss health system and in health policy should be continued (cf. above section “Paradigm change”). Nevertheless, the health policy debate in the longer term will also have to tackle the issues of the basic modalities of managing the system (for example the reallocation of responsibilities between Confederation and cantons in the area of healthcare provision, management of expenditure versus management of health/provision goals) and system funding (per capita premiums versus risk or age-dependent premiums), so that new, innovative solutions can be developed, where possible (→ **Financial Policy, Constitution and Institutions**).

Healthcare policy debate:

Funding through taxation and an increased role for federal government or increased market orientation? Measures to be examined for cost curbing and funding could change existing system considerably

Migration Policy

Since the millennium, a variety of major developments have taken place in Europe in the area of migration. Migration within the EU has increased due to EU expansion into Eastern Europe. This applies above all to those countries that have opened their labour markets to the new EU countries.¹⁷⁴ Often, however, there are circular movements that ultimately lead to a balance in migration levels.¹⁷⁵ The percentage of nationals of third countries in the EU is no longer increasing so quickly. At the same time, the socio-economic situation in developing and emerging industrial countries is unlikely to improve in the medium term (→ **Annex A1**). The migration pressure on Europe will therefore be maintained or will even increase. In order to be able to influence this phenomenon in the longer term, appropriate commitment is needed in the area of migration partnerships, as well as initiatives to promote peace and respect for human rights in the regions migrants come from (→ **Foreign Policy**). This conclusion is not irreconcilable with the fact that in Western Europe the number of asylum seekers is currently declining. It indicates that despite a Europe-wide fall in the number of applications for asylum, the total numbers of foreign nationals who have entered the EU area without authorisation has not fallen, but is set to increase. In particular, irregular migration is increasing in the Mediterranean region and via the Atlantic route. The countries primarily affected are Spain and Italy, although some of the migrants pass on to other European States.¹⁷⁶

General trends:

Increase in EU internal immigration
Constant migration pressure
Fall in asylum applications but increase in irregular migration
Suitable naturalisation and integration policies required
Increased significance of the migration issue at a multilateral level
Migration policy as cross-sectional task

The rising numbers of foreign nationals among the population has given added impetus to the debate in most European countries on the required policies on naturalisation and integration. Questions about integration have also been asked by the general public in connection with the “Islam Debate” in the aftermath of terrorist attacks. Following an initial liberalisation in the 1990s, many states have introduced stricter regulations on naturalisation conditions for controlled migration. At the same time, efforts to curtail uncontrolled migration have been intensified.¹⁷⁷

Migration questions will continue to gain in importance on the agenda of the international community. In the EU, immigration policy has become a major issue. Various general guidelines have been issued, and new programmes and instruments have been developed (e.g. refugee funds, FRONTEX, amongst others). With regard to relations with countries of origin, destination states in Europe are endeavouring to enter into migration partnerships. This will give further impetus to the trend at national and European level towards developing a comprehensive and coherent immigration policy that coordinates all the migration-relevant elements.¹⁷⁸ As times goes by it becomes more apparent that immigration policy is a cross-sectional task that requires coordinated action in virtually all social fields. In addition, it must be coordinated on a tripartite basis between Confederation, cantons, cities and communes, which is why the Tripartite Conference of Agglomerations has taken up the issue.

Labour market:

Free movement of persons leading neither to substitution nor to pressure on salaries

Related measures to protect against wage and social dumping are effective

With the Agreement on the Free Movement of Persons coming into force¹⁷⁹ the migration of people from the EU-15/EFTA area into Switzerland has increased, while that of people from third countries has levelled out. These opposing trends have been noticeable since the Agreement came into force. They are in line with the aim of the Federal Council policy on foreign nationals, which places a higher priority in the recruitment of workers on allowing EU/EFTA citizens to come to Switzerland. Migration from among the permanent population¹⁸⁰ of the EU-15/EFTA area will be limited by the annual contingents for first-time immigrants from the working population of the EU-15/EFTA members, which have been exhausted since the commencement of the Agreement on Free Movement. As the emigration of EU-15/EFTA citizens in the third year since the introduction of free movement has increased slightly, the net level of migration, i.e. the difference between immigration and emigration, was lower than in the previous year (→ **Labour Market Policy**).

Dual admission system

Under the current dual system for work permits, employees from the EU have priority, while a restrictive system in relation to non-EU countries that is limited to specialist and qualified workers is being operated. It is therefore intended to regulate and to impose quantitative limitations on immigration from non-EU countries.

Sought after higher qualifications require innovative solutions and cooperation with countries of origin

Whereas for people from western or northern countries of the EU who are working in Switzerland the average levels of education and salaries, and numbers in management positions have for a long time been higher than those among Swiss people themselves, in the case of people from southern EU countries, and above all persons from non-EU countries, the opposite is normally the case. In view of the rising importance of the qualifications of immigrants in the Swiss employment market and thus to Swiss prosperity, the effort to encourage the immigration of more highly qualified men and women from southern European countries and non-EU countries represents a major challenge that requires innovative solutions and which has to be approached in cooperation with the immigrants' countries of origin (→ **Foreign Policy**).

Policy on asylum and foreigners:

Stricter Asylum Act

Accession to the Schengen und Dublin Accords

In recent years, the number of applications for asylum in Switzerland and in many other European states has fallen significantly. In 2006, however, the number of asylum applications rose again. Switzerland continues to accept asylum seekers permanently and in large numbers, when compared with its size. Reasons for the general decline in the number of asylum applications include the absence of conflicts in Europe, improved security on the southern and eastern EU borders, and targeted measures against abuses. With the partial revision of the Swiss Asylum Act, today's challenges, especially in relation to the abuse of the asylum regulations, are being deliberately countered, and new rules have been introduced on the legal status of persons temporarily accepted as well as for cases of hardship.

In view of the stricter legislation on asylum that applies Europe-wide, it can be expected that many migrants will decide not to file an asylum application and instead opt to remain in the country without notifying the authorities (→ **Security Policy**). This may lead to an exacerbation of the sans-paper problem¹⁸¹ and the growth of a black economy (→ **Economic Policy**). This is taken into account in the new legislation on undeclared employment and foreign nationals, as well as in the measures in the revised Asylum Act. Uncontrolled migration as a global phenomenon (→ **Annex A1**) can only be tackled by Switzerland in concert with other states. Switzerland's accession to the Schengen and Dublin accords will make closer and more effective European cooperation in this area possible (→ **Foreign Policy**).¹⁸²

Incentives for asylum seekers to return are a pragmatic way of furthering the voluntary return and reintegration of asylum seekers in their countries of origin. It involves various services such as advice on returning in the cantons, individual incentives to return, structured aid in the countries of origin as well as training and programmes abroad related to returning in individual cases. The Federal Office for Migration is developing and implementing this strategy with its partners, the Swiss Agency for Development and Cooperation (the SDC), the Federal Department of Foreign Affairs (FDFA), the International Organisation for Migration (IOM) and the responsible cantonal agencies and charities. Return assistance is a proven system and should be maintained and carefully developed in future.

Encouraging asylum seekers to return

Intergovernmental cooperation in the area of readmission and transit is governed by so-called readmission agreements. Readmission agreements, as an instrument of return policy, pursue the aim of guaranteeing rapid and safe readmission through clearly regulated methods, procedures and deadlines arranged between Switzerland and the country of origin. The Swiss policy of entering into readmission agreements with countries of origin and transit corresponds to that of the EU and its member states, which enters into readmission agreements or adds readmission clauses to association and cooperation agreements with numerous countries of origin and transit as an effective method of controlling irregular migration. Bilateral efforts to enter into readmission agreements will be encouraged. At the same time, the negotiations conducted by the EU in this area will be continued and the joint declaration as part of the association agreements related to Schengen and Dublin, under which the EU should also give notice of Switzerland's interest in readmission agreements with third countries, will be put into operation.

Readmission agreements

The needs of women are taken into account in Swiss immigration policy: the Asylum Act provides that particular regard be given to reasons for flight that relate specifically to women, and even where an application for asylum is rejected, consideration should be given to the special situation of women (e.g. temporary acceptance of single mothers as a "vulnerable group"). In a leading decision of the Asylum Appeals Commission, non-state persecution (such as may occur in cases of female circumcision) can now lead to refugee status being accorded. In addition, the new Foreign Nationals Act makes provision for the continuation of residency rights after the break-up of a family where the applicant has already been living in Switzerland for at least three years, and in cases of hardship, especially domestic violence. A particular challenge is the issue of women in the area of illegal or forced immigration, where the victims of the trade in human beings, often women, require special support. The new law on foreign nationals provides for exceptions for victims of trafficking in human beings from the general admission requirements as well as the possibility of return assistance.

Women and migration:

Include issues relating specifically to women in the legislation on foreigners and asylum matters

The issue of the integration of the foreign resident population, and in particular of non-EU citizens, continues to present a political and social challenge (→ **Constitution and Institutions**). The mutual acknowledgement of the cultures that live together in Switzerland is of crucial importance for national cohesion. The need for an exchange between the cultures contrasts with the need to maintain cultural identity. Increasingly, democratic rules and the rule of law must be taught and practised as basic values in our society (e.g. gender equality or the monopoly of the state on the legitimate use of physical force). The optimum use must be made of the economic and social potential of migration (→ **Economic Policy**). The increased integration of the foreign population, however, also

Foreign Nationals Act / Integration of foreigners:

Structural and social integration
Make use of potential
Risk of marginalisation – reduce consequential costs
Integration of foreigners as a state task – Create equality of opportunity

Make use of normal structures
Numerous interfaces with other branches of politics
Close cooperation among players essential

requires openness on the part of the Swiss population to immigrants. Here tailoring the admission policy to the real requirements of the Swiss labour market with regard to professional qualifications will be an important success factor in efforts to avoid major integration difficulties. The number of unemployed foreign nationals already in the country must also be taken into account if the dangers related to a lack of integration and the resultant social tensions are to be reduced and the consequential costs minimised. Low levels of social or professional integration increase the risk of unemployment, poverty, illness, addiction and crime (→ **Labour Market Policy, Health Policy, Security Policy**). In geographical terms, integration problems are concentrated in the central communities of the urban areas, and increasingly in individual districts within these communities, and partly on the periphery of urban areas as well. Whereas integration in the past was long seen as a task of social agencies,¹⁸³ in the course of the 1990s it became more of a state task.¹⁸⁴ When the revised version of the Federal Act on the Residence and Permanent Settlement of Foreign Nationals came into force in 1996, it became an explicit state task. The new Foreign Nationals Act, which was approved by the electorate on 24 September 2006, names integration – understood in the sense of equal opportunities for foreigners with regard to access to Switzerland's social and economic resources – as a significant factor in a successful immigration policy. The Foreign Nationals Act makes the promotion of integration a cross-sectional state duty. It is the task of the state to create reasonable general conditions for equal opportunities and participation in society in all its areas of responsibility (education, work, health, social security, etc.).¹⁸⁵ The promotion of integration is organised according to the principle of “ask and encourage”. Based on a limited system of incentives and sanctions, successful efforts towards integration – for example by means of an early grant of a permanent residence permit – can be rewarded, while a failure to integrate may have detrimental consequences through a discretionary decision based on the law on foreign nationals. Given the experience that people who are temporarily admitted often remain in Switzerland for several years or permanently, such people are now also being included in the target group for integration measures. In addition, their legal status with regard to access to the labour market and the possibility of family reunification is being improved.¹⁸⁶ In the opinion of the Federal Council, the integration of foreign nationals should be encouraged primarily via the existing standard structures. The Confederation should only become active at a subsidiary level (→ **Constitution and Institutions**). In addition to the principles of integration policy, promotional measures at federal level should be continued. These include improved coordination of the integration measures and cooperation with the cantons. Of crucial importance are integration services in the labour market, vocational training¹⁸⁷ and health promotion,¹⁸⁸ which are directed towards the entire population and accordingly are taken up by many foreign nationals (→ **Labour Market Policy, Education Policy, Health Policy**).¹⁸⁹

The federal government regards learning the language and getting a job as the basis for successful integration. As young people in particular from non-European states often have no general vocational education and have above average involvement in crime, promoting language learning and violence prevention take on a special importance as integration measures.¹⁹⁰ The rapid subsequent immigration of children (new Foreign Nationals Act) should contribute to language and school problems being reduced. The key future tasks in integration policy lie in the actual implementation of the measures and in the integration of the younger generation of foreigner nationals. Integration has become a cross-sectional task, the solution of which requires close cooperation and coordination between the various players at all state levels as well as private organisations.

Simplification of naturalisation:
Political integration
Reduction of naturalisation fees – Increase in the numbers of naturalisations
Reduction of required residence periods

A further important element in integration policy is naturalisation. The revised Swiss Citizenship Act which came into force on 1 January 2006 stipulates that the cantons and communes may only charge fees that cover their costs for decisions on ordinary applications for citizenship. This led to a significant rise in the number of naturalisation applications in the first half of 2006 and should therefore have a positive effect on the number of naturalisations. At 12 years, the residence requirement in Switzerland is long by international comparison. A reduction in this period is unlikely to be approved due to the rejection in the vote in September 2004 of the simplified naturalisation procedure for young people of the second generation.¹⁹¹ On the other hand, it has been recommended to the cantons that they ensure that in their legislation the cantonal and communal residence

periods be reduced to take appropriate account of the current mobility among the population (→ **Constitution and Institutions**).

In a globalised world, the answers to the complex challenges of migration will no longer be found in an exclusively national approach to the phenomenon. The international dialogue on migration has recently been intensified under the heading “strengthening the international coherency of immigration policy” and progress has been made in the development of international approaches, whereby the UN in particular should play a crucial role.¹⁹² Switzerland, with its commitment to the *Bern Initiative* and the *Global Commission on International Migration*, has made a major contribution to this development and will continue with its commitment in this area.

Migration and development

The importance of an internationally coordinated immigration policy at the highest level is increasing.¹⁹³ Efforts are being made to make use of the positive potential of international Migration¹⁹⁴ as a development, modernising and innovation factor in countries of origin and destination. A reinforced and internationally coordinated migration and development policy and increased efforts to coordinate peace promotion as well as foreign and immigration policy may attenuate the main causes of migration in the long-term and thus relieve destination countries such as Switzerland of the burden of dealing with the unwanted consequences of migration (→ **Foreign Policy**).

The innovative instrument of migration partnerships, which is part of the new Foreign Nationals Act, allows for increased cooperation with partner countries. It is intended that problems occurring in participant countries due to immigration, emigration and remigration will be tackled in the form of a balanced and fair reconciliation of interests.

Migration partnerships

International coordination and cooperation is also needed to combat the negative aspects of Migration. Concerted action is essential, especially in the fight against the trafficking and smuggling of human beings.

Trafficking in human beings

2.4 Spatial planning – Environment – Infrastructure

Sustainable development

A development can be described as sustainable when it covers the needs of the present generation without compromising the ability of future generations to meet their own needs.¹⁹⁵ It is therefore essential to ensure and improve ecological compatibility, economic performance and social justice. These are interdependent and cannot be sought in isolation without endangering the entire development process. This is why ensuring sustainable development is high on the list of political priorities and at the same time very difficult to achieve, especially in view of the need to resolve any conflicting interests between sustainability dimensions both in terms of content and timing. It is the aim of the Federal Council that the principle of sustainable development should be applied in all political areas.¹⁹⁶

Ensure future capacity in all policy areas:

Key need to ensure and improve ecological, economic and social performance

Increasingly important but difficult to implement

Analyses on the status of sustainable development in Switzerland¹⁹⁷ show the success of efforts so far, but also highlight the need for additional action. Overall they paint a contradictory picture of Switzerland. One of the most important findings of sustainability monitoring¹⁹⁸ is that in most areas of life attempts towards sustainable development are being made, although at the same time contrary trends can also be seen. For example, it has been possible to achieve improvements in terms of eco-efficiency in some areas although these have often been offset by increases in consumption, which meant that there was no reduction in the consumption of resources or in the harm to the environment. Another example is the generally improved satisfaction of needs in terms of household income, but this has not made an appreciable difference to the situation of disadvantaged population groups (e.g. in 2004 the percentage of working poor to the total number of employed was the same as at the beginning of the 1990s, increasing burden of social transfers on state budgets, slow reduction of inequality between men and women in terms of professional status and income). The improved energy efficiency achieved in the production of goods and serv-

Interim assessment:

Need remains for greater action despite successes to date

ices and in the economy as a whole is more than offset by the increase in overall energy consumption.

Another contradiction can be seen in that improvements within Switzerland are in stark contrast to a worsening of the same problems globally (→ **Annex A1**). Across Switzerland there was an improvement in air and water quality (→ **Environment Policy**), whereas CO₂ emissions in Switzerland which have a great impact on the global climate system have only been stabilised.

Another finding concerns fairness between the generations. Whereas many Swiss people enjoy a high degree of satisfaction with their jobs and lives, there are certain indications that more and more young people between training and paid employment are having trouble finding a permanent job with the opportunity for job advancement. For example, 16 per cent of young people do not even have the basic reading skills necessary to shape a decent future for themselves (→ **Education Policy**) and unemployment among the young is relatively high even after being adjusted to the Swiss economic situation (→ **Labour Market Policy**). The high level of satisfaction with the living environment and the increasing living space per person are achieved at the expense of an increase in urban built-up areas of 0.86 m² per second, which more often than not is at the expense of valuable arable land (→ **Spatial Policy**). Ultimately, it must be expected that the burden on state budgets will affect the room for manoeuvre of coming generations (→ **Financial Policy**).

Several sustainability-based country rankings show in this respect that, in international comparison, Switzerland tends to rank high in the league table even if it is gradually dropping a little over time.¹⁹⁹ Like other industrialised countries, Switzerland uses large quantities of fossil energy. With regard to the necessary ceiling on CO₂ emissions, this conflicts with the rapidly increasing demand in southern countries, particularly emerging countries²⁰⁰ (→ **Annex A1**). The ecological footprint also points to this dilemma.²⁰¹ This synthetic indicator also indicates that Switzerland uses around three times the amount of environmental services and resources as is sustainable in global terms (→ **Annex A1**). As a result of the fast growing demands of southern countries, especially the emerging economies, the conflicting demands for environmental goods and resources are expected to escalate and the pressure on industrialised countries to reduce their consumption will continue to increase.²⁰²

Sustainable development strategy:

Medium-term plan of action adopted
Additional long-term efforts needed

Efforts to improve environmental quality and concurrently to increase economic performance and solidarity in society have so far not been sufficiently coordinated. Despite environmental advances, economic growth is still generally linked to an increase in environment and resource consumption²⁰³ (→ **Energy Policy, Climate Policy, Environment Policy, Transport Policy, Economic Policy**). In order to gear Switzerland more to the principles of sustainable development, the Federal Council has decided on a 22-point plan of action under the 2002 Sustainable Development Strategy.²⁰⁴ The strategy defines the content and method-based framework of the Federal Council's sustainable development policy to 2007 in a broad range of areas. The Federal Council commissioned the evaluation and updating of the sustainability strategy up to 2007 with a view to the new legislative period. The evaluation²⁰⁵ carried out in 2007 documents both the excellent integration of the sustainability principle in Swiss policy but also the insufficient effect overall in the sense of any real reorientation of trade to sustainable development goals. Further-reaching efforts in the area of sustainable development are gaining ground over the long term. Overall, additional efforts will be necessary to implement the concept of sustainable development in all policy areas and at international level (→ **Foreign Policy**) and at national level (→ **Economic Policy, Social Policy, Environment Policy, Energy Policy, Transport Policy**). Efforts for the promotion of sustainability processes at cantonal and communal levels need to be doubled. Since there are in Switzerland only about 14 cantons and 150 communes – which, however, due to the percentage of large towns represent around 30 per cent of the Swiss population – that are involved in a sustainability process,²⁰⁶ Switzerland does not figure in international comparison among the leading nations in terms of participation at sub-national state levels. In addition, the scientifically based, methodical instruments for the assessment, modification and further development of

specific measures (indicator-based monitoring, assessment of sustainability) need to be further developed and better integrated.²⁰⁷

Climate Policy

Existing observations and model calculations point to the fact that, in international comparison, Switzerland and especially the Alps are very badly affected by climate changes.²⁰⁸ According to scenario calculations by the Federal Institute of Technology, a further increase in temperature of 2°C to 2.5°C is forecast by 2050 over 1990 levels (ranging in winter between approx. + 1°C to + 3.5°C and in summer between approx. + 1.5°C to + 5°C).²⁰⁹ The effects of climate change, already apparent in Switzerland, such as the shorter duration of snow cover, the melting / shrinking of the glaciers, the thawing of Alpine permafrost and the increasing occurrence of heavy precipitation / rainfalls, are likely to accelerate.²¹⁰ Climate scenarios for Europe point to the likelihood of every second summer towards the end of the 21st century being as warm and dry as the summer of 2003.²¹¹ There are no firm findings on future storm patterns, but climate models suggest a rise in the number of storms.²¹² The worldwide consequences of climate change could affect Switzerland through a weakening of the world economy (→ **Economic Policy**) and an influx of environmental refugees from other countries²¹³ (→ **Migration Policy**). The link between greenhouse gas emissions and climate change is now undisputed in scientific circles (→ **Annex A1**). It is therefore imperative to eliminate greenhouse gas emissions wherever possible.

Greenhouse gas emissions in Switzerland can be traced to a number of sources.²¹⁴ The use of fossil fuels accounts for 78% of greenhouse gas emissions (→ **Energy Policy, Transport Policy**). Agriculture produces around 10% of greenhouse gas emissions, mostly in the form of methane and nitrous oxide (N2O, known as laughing gas) emissions (→ **Agriculture Policy**) Non-energetic industrial processes are also sources of CO₂ emissions, but also of emissions of synthetic greenhouse gases containing fluorine²¹⁵ (→ **Economic Policy, Environment Policy**). This area causes 6% of greenhouse gas emissions in Switzerland, of which 6% consist of CO₂ emissions from waste incineration and methane emissions from landfill sites. In contrast, ecosystems can absorb CO₂ for a limited period of time and act as a sort of carbon dioxide sink. The most important carbon stores in Switzerland are the forests.²¹⁶

Due to the number of policy areas affected, an interdisciplinary approach is needed to reduce greenhouse gas emissions from individual sources.²¹⁷ Ecology-based incentives in the areas of energy, transport, industry and agriculture are important tools in this respect (→ **Energy Policy, Transport Policy, Economic Policy Agriculture Policy**). As the use of fossil fuels as energy sources (including transport) is responsible for around 80% of greenhouse gas emissions, energy and transport policy play a key role in tackling the problem. The CO₂ Act is now vital for Switzerland's climate policy efforts in this respect. The CO₂ output of fossil fuels used, for example, in heating systems and industrial furnaces should be 15% less than the 1990 output by 2010, and around 8% less for motor fuels such as diesel and petrol. As stipulated in the Climate Convention and the Kyoto Protocol, aircraft fuel for international flights is not included. If voluntary measures fail to bring about the agreed reduction percentages, the Federal Council will have to introduce a CO₂ charge.²¹⁸ There is an urgent need to stabilise concentrations of greenhouse gases in the atmosphere in order to drastically reduce the hazardous anthropogenic disturbance of the climate system (→ **Annex A1**). In order to prevent a hazardous disturbance of the climate system, the global greenhouse gas emissions of industrialised countries must be reduced by 60 to 80% of the current level by 2050 according to scientists' estimates. In addition to further efforts to reduce emissions, measures to adjust to climate changes are necessary. Even if CO₂ concentrations were to stabilise at their present level, the climate system would still continue to change for decades until it had adjusted to the CO₂ concentration, which is 35% higher than in pre-industrial times. The longer it takes concentrations of greenhouse gases to stabilise in the atmosphere and the higher the level at which stabilisation takes place, the worse the consequences of the climate change will be.²¹⁹ As calculations relating to future energy scenarios show,²²⁰ tougher (incentive)

Climate policy as a major challenge:

Link between greenhouse gas emissions and climate change now undisputed

Fast reduction of greenhouse gas emissions advisable

Greenhouse gas emissions:

Greenhouse gas emissions come from a number of different sources

The consumption of fossil energy sources is responsible for 78 per cent

Interdisciplinary approach:

Energy and Transport policy play a key role

Reduction of dangerous anthropogenic disturbance of climate system requires far more stringent, internationally coordinated measures to lower greenhouse gas emissions

Environmentally-sound cultivation methods in agriculture lower methane and nitrous oxide emissions

Basic conditions for reducing greenhouse gas emissions in industry

Implementation of ban on landfill disposal and waste prevention policy

Protection of wooded areas and sustainable use of forests

mechanisms for reducing emissions are necessary to achieve a long-term approximation to the required reduction levels, which go well beyond the aims of the CO₂ Act. Environmentally friendly farming according to the principles of integrated production or organic farming is instrumental in reducing methane and nitrous oxide emissions in agriculture (→ **Agriculture Policy**). The use of synthetic greenhouse gases and industrial emissions from other non-energetic greenhouse gases can be reduced by the right environment (Ordinance on Risk Reduction relating to Chemicals [ORRChem]) (→ **Environment Policy**). Improvements to the waste situation are expected with the implementation of the ban on the landfill disposal of combustible waste. Waste prevention, in particular from petroleum-based products, would bring about further improvements. However, in the overall assessment, care should be taken that the use of (petroleum-based) synthetics, for example, used in packaging and for vehicles leads to weight and energy savings in production, and hence energy saving in transport (→ **Environment Policy**). It is also important to continue to protect wooded areas as this is beneficial to the climate. Under the Kyoto Protocol, reforestation to provide carbon sinks and (forest) clearing as a source must be weighed up against each other. Carbon increase from forest management can also be taken into account. Managing a forest as a carbon sink can, however, be incompatible with the use of wood as a building material (for example as a substitute for cement and steel) or as a climate-neutral energy source.

International climate policy:

Global challenge requires global responsibility

Switzerland can make an important contribution

As climate change is a huge challenge with global causes and effects, an international consensus is indispensable. Industrialised countries are responsible for a far larger part of the increase in the atmospheric concentration of greenhouse gases than developing countries. As Switzerland is a very affluent country with a high standard of living in international comparison, it has a particular responsibility, along with other industrial countries, for meeting the daunting challenge posed by the climate changes for humankind. This means that developing countries will have to be supported in their efforts to cut down greenhouse gas emissions by targeted projects and technology transfer (→ **Foreign Policy**). These efforts are encouraged by the incentive mechanisms of the Kyoto Protocol (Clean Development Mechanism, CDM) under which, as a result of the issuing of emission reduction certificates, private players are also investing in cleaner technologies in developing countries. These mechanisms that are up and running need to be maintained and, if need be, further developed. At the same time, Switzerland can forge ahead with key innovations and developments on account of its high standard of education and technology, thus making an effective contribution to the reduction of the effects of climate changes.

Transport policy

Significance of mobility for the economy and society

Mobility's negative side-effects

Mobility and transport are vital for a small export and service-oriented country like Switzerland. Advances in transport are an important factor for the competitiveness of the economy of individual regions and the country as a whole. However, there are adverse side-effects linked to mobility: in particular, the harmful impact on people and the environment of noise, air and climate emissions, the use of resources and land use. The much solicited transport services will also continue to expand over the coming years.

Passenger traffic:

Further growth of national road transport

In terms of passenger traffic, a 16% increase over the 2000 figure in national transport services is expected for private road traffic²²¹ in Switzerland by 2015²²² provided that the completion of the national road network approved in 1960 continues at the same pace and is concluded by 2020, that taxes on passenger cars remain at their current level and that petroleum tax is not raised. With the recent introduction of a “climate cent” tax there is now a slight increase in the costs of fuels. However, in comparison with the recent and future oil price increases, this will have very little effect.

Rising volume of rail traffic

Rail 2000 makes a difference

An increase of around 22% is expected in national rail traffic between 2000 and 2015.²²³ As a result of investments in Rail 2000 but also due to population trends in Switzerland, a percentage of any additional traffic should be absorbed by public transport.²²⁴ Switzerland's integration into the European high-speed rail network through its high-speed connections should secure a larger market share in international rail traffic.²²⁵ The devel-

opment of domestic transport remains crucial to the development of the whole volume of passenger traffic in Switzerland.²²⁶

On average 18% of distances travelled per day in 2000 were on public transport. This figure has scarcely changed since then and only a small increase is forecast. Around two thirds of distances travelled per day are by car.²²⁷ Cars will continue to be the main means of passenger traffic.

Goods traffic is expected to increase by around 31% (in tkm) between 2000 and 2015.²²⁸ The means of transport to be used depends on future traffic policy. From a political point of view goods transit through the Alps is of particular interest. With the adoption of the Alps initiative, a ban was effectively placed on the further expansion of road transit routes through the Alps. The transfer of goods traffic from road to rail is well under way and construction of the NRLA is going according to plan. The measures already taken, such as the introduction of a mileage-related heavy vehicle charge, the increase in the weight limit for goods transit by road, Rail Reform 1, implementation of the Land Transport Agreement and accompanying measures to promote rail traffic, are having the required effect: by the end of 2005 there were around 14% fewer heavy goods vehicles crossing the Swiss Alps than in 2000. Goods transit through the Alps by rail is also showing high growth rates. The transfer goal of 650,000 journeys by road is, however, not feasible by 2009 despite good progress to date.

Swiss aviation is vital to the economy. It is part of its foreign economic policy and a key factor for Switzerland as a location. The overall number of passengers dropped after the events of 11 September 2001 and the collapse of Swissair, but since then the number of passengers has been steadily rising since 2004. From 2004 to 2020 the total number of passengers is expected to increase by around 80% to approx. 52.7 m passengers a year and total air freight tonnage is expected to double to 514,000 tonnes a year with a corresponding increase in the total number of flights by around 25%.²²⁹

Although in comparison with other means of transport inland navigation provides an affordable, safe and environmentally friendly means of transport, the volume of traffic is scarcely increasing, with the exception of container transport. Existing free transport capacity on the Rhine cannot be fully exploited without the help of government measures, despite its great relevance for combined transport.

The importance and potential of human powered mobility (locomotion on foot, roller blades or by bicycle, driven by human muscle power) have often been underestimated in the past, whether as an independent form of mobility or in combination with other modes and means of transport. Since passenger traffic will continue to grow (traffic congestion and other obstructions are increasingly common), the targeted promotion of human powered mobility can help to counter this unwelcome development. The substitution of short private motorised journeys by human powered mobility will also contribute towards health promotion and the reduction of CO₂ emissions.²³⁰ However, greater investment in attractive, safe and interlinking path networks, recreational areas and additional facilities for human powered mobility is needed to encourage people to be physically active in their daily lives and their free time (eco-tourism).²³¹ Human powered mobility should be promoted as a third pillar of passenger traffic along with public transport and private motorised transport – with the corresponding beneficial effects for the environment, land planning and health (→ **Energy Policy, Health Policy, Environment Policy, Spatial Planning Policy**).

In the medium term no major change is expected in the trend towards the information society. The percentage of traffic (commuter traffic, shopping traffic) that could be substituted by the increasing incidence of teleworking and teleshopping is likely to remain minimal in the medium term.²³² It is safe to say that in the event of a rapid spread of this work lifestyle (and thus a higher substitution rate) there could be increased compensatory mobility, for example in the leisure area.²³³ Although there is no general agreement on whether, and if so to what extent, new means of telecommunications actually create a new demand for transport services; it has not yet been proven that on balance they are able to provide a substitute for traffic.²³⁴

Car remains most popular means of transport

Goods traffic:

Significant growth in volume of traffic
Great importance of Transport policy for future choice of means of transport
NRLA, heavy vehicle charge and supporting measures ensure transfer of north-south transit traffic from road to rail

Air traffic:

Further increase in traffic flow

Rhine river traffic:
Stagnating volume of traffic

Human powered mobility HPM:

Desirable in terms of transport and health policy
Often underestimated potential in urban areas, in daily and leisure traffic
Underused opportunity to promote HPM in daily traffic and eco-tourism

Information society:

Substitution rate questionable
Compensation mobility possible
Dispersion of production processes produces additional traffic

Federal Council objectives:

Greater consideration of the environment, health and safety with more economical use of energy and space and with greater commercial viability

Integration in European developments

Guarantee access of various sectors of population and regions to transport system

High-performance rail and road infrastructure

Upgrading of human powered mobility

Traffic transfer / modal transport

Improvement of road safety

Ensuring a high-standard safety standard in aviation

Optimum aviation connections for Switzerland

Need for action in the medium term:

Controlling town traffic

Minimisation of negative side-effects

Increased commercial viability for traffic

Improvement in road safety

Promotion of low-emission and zero emission vehicles

Infrastructure fund

Implementation of transport sectoral plan

Further development of aviation infrastructure sectoral plan

Strategy of sustainable leisure traffic

National roads:

New responsibilities

Decentralised organisation

Gaining in efficiency and effectiveness

Swiss Transport policy is basically geared to sustainability. The primary aim is to cope with the ever increasing demand for mobility efficiently, safely and with as little impact on the environment as possible. The Transport policy of all population groups and parts of the country has to ensure sufficient access to mobility (public service). Swiss Transport policy is based on an interdisciplinary approach that takes account of all systems of transport in terms of their economic and ecological advantages and disadvantages and aims for optimum harmonisation with other policy areas (finance, economy, environment protection and spatial planning). The main aims of transport policy are: provision of sufficient, efficient and reliable infrastructures, clean vehicles,²³⁵ consolidation of the “polluter pays” principle, the greatest possible degree of self-financing for transport and optimum harmonisation with Europe. A key issue in this regard is the increased transfer of traffic from private to public²³⁶ transport and the coordinated development of different systems of transport, in particular the upgrading of human powered mobility. One of the key issues is the subject of transport safety, with a particular need for action with regard to private transport. A new road transport safety policy should within ten years significantly reduce the number of people killed on the roads.²³⁷ With regard to air transport, the Federal Council in its report on Swiss aviation policy²³⁸ adopted on 10 December 2004 by the Federal Council and approved in 2005 by parliament has noted that the prime objectives of Swiss aviation are to ensure an optimum connection of Switzerland to European and international centres and a high safety standard in European comparison. The Confederation creates the necessary general conditions through the negotiation of liberal air transport agreements and the creation of the conditions for the best possible air and ground infrastructures.

Transport policy in recent years typically sets the course to be followed and includes significant current reform projects that can lead to the long-term achieving of the stated aims. Particularly important in this regard are the bilateral transport agreements for land and air transport with the EU,²³⁹ the revamping of the railway infrastructure (New Rail Link through the Alps NRLA, Rail 2000, high-speed railway connections to neighbouring countries, review of public transport) and the introduction and gradual increase of the heavy vehicle charge. There is still a need for action relating to current transport problems in urban areas, for individual chronically overused stretches of the national road network (again mostly in urban areas) and for the funding of maintenance of the existing infrastructures in outlying areas and mountain regions. The Federal Council intends to tackle these problems with the transport sectoral plan and with the help of the infrastructure fund.²⁴⁰ Additional measures are also necessary if the road-to-rail transfer goals adopted by parliament for transporting goods across the Alps (planned goods transport transfer act) are to be achieved. There is also a need for action to reduce the negative side-effects of traffic (environment, noise and land use),²⁴¹ to increase road traffic safety by searching for a lasting solution to the operation of Zurich airport based on the aviation infrastructure sectoral plan (SIL). The state of public finances (→ **Financial Policy**) makes it necessary for transport policy, as indeed all other policy areas, to be very strict in setting priorities and to further increase efficiency, provided there is still the potential. In this regard the issues of improving self-financing and changing tack to focus more on the polluter-pays principle also need to be addressed.

Following the new system of financial equalisation and the reallocation of tasks between the Confederation and the cantons (NFA), the Confederation will have sole responsibility for national roads (task management and financing). This does not include the completion of the planned network, which remains a shared responsibility. The Confederation becomes the owner of these roads and again takes over all of the owner's functions. This transfer of responsibilities requires major restructuring in terms of personnel and organisation in the Federal Roads Office, all within a short space of time: the office headquarters is responsible for strategic tasks and the five subsidiaries will take care of the actual contracting activities. In addition, maintenance of the network (upkeep of the infrastructure, guaranteeing functionality as a safe and highly efficient transport network) is increasingly important and requires a high level of funding. The new allocation of responsibilities is more efficient and more effective: organisation is tighter and more streamlined; larger perimeters make it easier to complete tasks more economically; clearly defined responsibilities prevent wasted efforts and make it easier to impose uniform standards and optimise the procurement supply process.

As regards aviation, finding a lasting solution for the operation of Zurich airport and the completion of the SIL coordination process (SIL: aviation infrastructure sectoral plan) is a considerable challenge. Closely linked with this dossier is the completion of negotiations with Germany.²⁴² Equally important is the continuation of efforts in connection with Switzerland's participation in the European Aviation Safety Agency (EASA) and the Single European Sky (SES). Switzerland's active participation guarantees the Swiss aviation industry's connection to and recognition within the European internal market and how this could be achieved through the Switzerland-EU bilateral aviation agreement. The overriding aim, however, is to ensure a high-level safety standard in European comparison.

One of the main challenges of the immediate future will be continuing trends in leisure traffic. Nearly half of all passenger traffic today is leisure-related²⁴³ and looks set to rise. It will therefore become increasingly important to develop a new strategy showing how leisure traffic should be kept within sustainable bounds.

The disproportionate increase in road traffic²⁴⁴ that causes CO₂ emissions, air pollution (nitrous oxide, summer smog/ozone, particulate matter/PM10), damage to buildings due to pollution, and noise pollution (detrimental to health) has led in the last 20 years to an increase in traffic-related external costs, i.e. those costs not borne by transport service users but by the general public.²⁴⁵ If the energy and environmental policy measures envisaged by the Federal Council are implemented, then a slight fall in petrol consumption from 2005 levels could be expected in the medium and long term. With diesel and kerosene, however, despite the planned measures, increasing energy consumption with the CO₂ emissions that this entails is to be expected.²⁴⁶ On account of the very often international nature of aviation, measures to reduce environmental damage caused by air traffic such as an international system for dealing with CO₂ certificates, taxes on aviation fuels or noise and emissions charges can only be effectively introduced if coordinated internationally. Switzerland often plays a leading role²⁴⁷ in this area and is instrumental within the international organisations in introducing the requisite instruments.²⁴⁸ If the adverse side-effects on humans and the environment as a result of traffic-induced CO₂ emissions increase, this will speed up climate change. In the long run fossil fuels will have to be replaced by renewable and CO₂ neutral fuels and the transfer from private motorised traffic to public transport²⁴⁹ must be speeded up (→ **Energy Policy, Climate Policy, Environment Policy**).

The impact of internalisation of the external costs (in the narrow sense of the term) of traffic on price policy measures also has a considerable effect on financial policy. Estimates thus far suggest that such a strategy would basically enable uncovered journey costs (operating and infrastructure costs) of rail traffic (external costs in the broad sense of the term) to be passed on to the user/transport service providers without adversely affecting the competitiveness of railway operators.²⁵⁰ The known uncovered costs can mostly be charged to heavy goods traffic by means of the heavy vehicle charge, i.e. internalisation has to some extent already been applied to heavy goods traffic. An internationally co-ordinated internalisation of the external environment costs in air transport would also improve the competitiveness of high-speed rail in Europe and additionally benefit the rail system as a whole. The measures introduced by the Federal Council, some of which are already being implemented, to increase efficiency and lower the price of public transport would thereby be supported (→ **Financial Policy**). At the same time such an internalisation strategy would promote human-powered mobility for local passenger traffic and bring about the road-to-rail transfer.

In this connection, the liberalisation of public transport (by introducing competitive elements under the revision of the Railways Act, rail reform, the harmonisation of Swiss law with standard EC law, and the aviation agreement with the EU) is important. The aim is to achieve a clear division of roles between transport ventures and the government. The government's main task is to monitor competition, act as regulator, exercise supervision of the transport operators, order specific transport services (e.g. regional transport, combined road-rail transport), finance (with the exception of aviation) and develop infrastructure and fulfil its organising role in the form of Transport policy decisions. Therefore, liberalisation in land traffic mainly affects goods traffic and public tenders for public

Aviation:
Completion of SIL coordination process for Zurich airport
Integration in European context

Negative side-effects:
High level of road traffic-induced environmental damage and external costs
Increase in case of a status quo policy
Stabilisation and reduction when a policy adopted by the Federal Council is implemented
Increasing environmental damage due to increasing air traffic

Implementation of polluter-pays principle:
Only possible with clear price incentives
Introduction easier if internationally harmonised
Unilateral measures are also a possibility
EU has firm plans for implementation of polluter-pays principle

Commercial viability:
Deregulation and privatisation of public transport in Europe
More competition in Swiss transport market, basic change and internationalisation of providers and businesses likely

With the specific implementation of planned measures a basic service in rural areas and the transfer of traffic from road to rail can be guaranteed

passenger transport. Similar processes are underway in other European countries where free access for all to use the transport system and the awarding of transport services are high on the agenda. Throughout Europe, therefore, a process of integration and internationalisation of transport service providers is likely. Several European transport firms are already trying to penetrate the Swiss passenger and goods transport market.²⁵¹ Over the next few years in Europe the integration of fewer but major providers in rail freight transport is a distinct possibility even if the efficiency gains cannot yet be assessed. However, these developments will probably substantially increase competition in Switzerland's transport market and engender a basic change in the set-up for providers and businesses (incl. the Swiss Federal Railways) in the Swiss transport market. The first implemented part and the other rail reform moves and the basic principles in the Compensation Ordinance to the Railways Act should increase the competitiveness of public transport with targeted implementation and ensure an appropriate basic public transport service. The planned transfer of traffic from road to rail must be consolidated with supporting measures²⁵² (→ **Spatial Planning Policy**).

Bilateral agreements with EU:

Cornerstones of Swiss traffic policy set out in first series of bilateral agreements

EU aiming in long term for transition to polluter-pays principle

Worldwide liberalisation of air transport markets

Lessons to be learnt from Swissair debacle

Reassess air Transport policy

The weight limits and the level of fiscal burden on goods transport by road through Switzerland (heavy vehicle charge) are directly connected with the bilateral agreements²⁵³ (→ **Foreign Policy**). Provided the Federal Council's Transport policy produces results on the basis of existing constitutional principles, the environmental impact of the growing transit traffic can to a large extent be absorbed. The EU's long-term plans as stated in the white paper on future Transport policy are moving towards a generally understood polluter-pays principle. In the long term, the EU is planning to separate transport user charges from transport taxes and make transport users pay for the direct infrastructure and external costs, which would correspond in essence to the heavy vehicle charge in Switzerland. These opportunities are created through the revised Eurovignette directive.²⁵⁴ Revenue from the charged external costs should be used to minimise the negative effects of traffic, which would include a similar process to the Federal Council's plans for the construction and financing of public transport infrastructure.²⁵⁵ Liberalisation of market access is the top priority for Europe as a whole.

In aviation, liberalisation at EU level has mostly been implemented and roles between the regulator / supervisory authority and the provider have already been allocated. The Confederation creates only the best possible conditions by negotiating liberal air transport agreements and creating the conditions for the best possible air and ground infrastructures. It is neither the owner of the infrastructures²⁵⁶ nor an aviation company; the actual choice of air traffic connections is defined by supply and demand. The attractiveness of Swiss airlines and airports – and of Switzerland as a location for business – will depend directly on the possibility of equal access to the European air traffic market, which is stipulated in the bilateral agreements with the EU, and on the advantageous conditions established for the Swiss aviation industry (→ **Foreign Policy, Economic Policy**).

Environment policy

General trends in Environment policy:

Progress over last decades

Growing importance of international involvement

Preventive measures on a national level

Environment policy has come a long way in recent decades. Following the international agreements of the 1980s and the 1990s for international long-term efforts to protect the ozone layer (Montreal Protocol), environmental issues once again took centre stage in international activities with a series of climate negotiations (→ **Climate Policy**). At the same time agreements were signed on specific topics such as chemicals (Basel and Rotterdam PIC Conventions and the Stockholm POP Convention), ecological diversity (Convention on Biological Diversity, Cartagena Protocol on Biosafety), air pollution control and water pollution control (regional agreements). On a national level, the amendment of the Environmental Protection Act led to more stringent preventive measures in respect of waste, contaminated soil and water, genetic engineering and non-ionising radiation.²⁵⁷

Economic instruments and better cooperation with business have stood the test of time

The use of economic instruments opens up promising options for Environment policy. In Switzerland, incentive charges on "extra light" heating oil, sulphur-containing petrol and diesel oil and on volatile organic compounds, for example, had an impact.²⁵⁸ Environ-

mental management systems are being broadly adopted by business.²⁵⁹ Numerous examples illustrate that cooperation with business is effective, including regulations on returning and/or disposing of electrical appliances, standards for earthworks and the nitrous oxide industry agreements between cement works and the cantons they are based in to improve air pollution control.²⁶⁰

In spite of significant progress in environmental protection, Switzerland is nevertheless confronted with significant amounts of pollution, not least because of its high population density and intensive economic activity. The protection and use of natural resources including soil, water, air, forests, etc. should be balanced in such a way using the appropriate instruments so that future generations are also able to use them in a sustainable manner. Environment policy will become a resources policy, regulating access to natural resources (air, water, soil, forest, landscape, quiet, etc.); in addition, Environment policy makes important contributions to safety (e.g. flood protection), health (e.g. cleaner air) and natural diversity (biodiversity). This change will also start affecting other policy areas (→ **Financial Policy, Energy Policy, Transport Policy, Regional Planning Policy, Agriculture Policy**).²⁶¹ Efforts made on a technical and political level should be intensified and observation of the environment should be developed to serve as an important basis for Environment policy decisions. The environmental impact assessment (EIA) of installations stipulates that environmental standards be met. Above all, more attention needs to be paid to environmental concerns at the planning stage (e.g. for cantonal structure plans) by a strategic environment assessment (combined with a sustainability assessment). International coordination and cooperation are becoming more important, particularly in efforts for an international ruling regarding persistent inorganic pollutants (preliminary work to a PIP agreement) (→ **Foreign Policy**).

The level of soil pollution caused by humans has not yet been fully recorded. Switzerland became a member in 2006 of the European Environmental Agency (EEA) and this is speeding up soil monitoring work. A uniform system should be used to record cantonal and federal soil data and the results made available to those interested in Switzerland and the EEA (NABODAT project). Priority must also be given to precautionary measures for preventing soil pollution, which nearly always has irreversible repercussions. Government-regulated institutional, personal and financial requirements in terms of qualitative soil protection are still unsatisfactory and need to be further developed. There is a considerable need for research, in particular in the area of physical (soil compaction, erosion) and biological soil pollution. The use of agrological monitors should help to improve physical soil protection on building sites with major earthworks and to prevent the uncontrolled spread of polluted soil material. Precautionary soil protection is also heavily dependent on emission-limiting measures in other policy areas (shared responsibility). A goal-orientated and consistent implementation of the new agriculture policy should decrease agriculture-generated soil pollution in the medium and long term (→ **Agriculture Policy**). Additional measures for air pollution control policy, substance regulation, recycling, forestry or water protection should also contribute towards fighting soil pollution. In terms of quantitative soil protection, ground sealing will continue unless more stringent spatial planning and transport policy measures are implemented in the medium term (→ **Transport Policy, Spatial Planning Policy**). Use of the soil must also be better adapted to its nature and rating.

Significant progress has been made in water protection in the last few years.²⁶² However, the increasing amount of chemical substances which find their way into the waters are of great concern, given that even in minute concentrations they can still cause hormonal changes in living organisms. There is a need for research to determine the causes of these substances and their effects, to develop investigation methods and propose measures to ensure effective water protection. There is also a pressing need for measures to rehabilitate the stream networks to improve the flow of water (to divert and hold back floods and alluvia), to create species-rich biotopes and network corridors, public leisure areas, and to regenerate the natural resource of water.²⁶³ The main challenge is to ensure that there is sufficient space for the various bodies of water.²⁶³ The top priority for the protection of ground and drinking water is to ensure the provision of clean drinking water at affordable prices, even in extreme situations. This can only be achieved if obligations to reduce emis-

Switzerland is exposed to major pollution
Environment policy becomes resources policy

Soil pollution and soil protection:
Loopholes in the soil observation network limit the possibilities for precautionary soil protection
Institutional, personal and financial bottlenecks limit implementation of necessary measures
Greater need for research and information
Emission-limiting measures in other policy areas determine the achievement of precautionary soil protection objectives
Land use planning must pay more attention to soil properties

Water protection and water supply:
Significant progress in the last few years
Need for research on chemical substances that cause hormonal changes
Pressing need for rebuilding the running water network and reducing emissions in the waters drainage areas
Need for more stringent requirements for substances

that are non-degradable or difficult to degrade
Long-term guarantee of water supply

sions are applied equally to all the various sources in the stream network drainage zones and drinking water catchment areas.²⁶⁴ These objectives will remain unattainable in the medium term unless more stringent requirements are applied regarding authorisation and use of water-pollutant substances that are non-degradable or difficult to degrade. Ultimately, intensified conflicts of interest due to the implementation of the water protection measures need to be addressed. The management of water resources on the basis of drainage zones is likely to play a greater role. First of all, however, institutional and organisational structures need to be examined carefully to find the most viable option.²⁶⁵

Air pollution and air pollution control policy:

Goals to protect health and the environment against sulphur dioxide have been reached

Further action is necessary to deal with nitrous oxide, volatile organic compounds, respirable particulate matter and ammonia

Stringent state-of-the-art emission regulations for all polluters and economic incentive measures necessary

Measures needed in Transport policy, Energy policy, spatial planning policy and agriculture policy to achieve clean air goals

Significant progress has also been made in the fight against air pollution since the mid-1980s with the implementation of clean air legislation (Environmental Protection Act, Clean Air Ordinance). In terms of sulphur dioxide emissions, the clean air objectives have already been attained.²⁶⁶ Specific measures (e.g. stringent emission regulations for heating systems, trade and industry, stringent regulations for exhaust emissions in road traffic, incentive charges on volatile organic compounds, heavy vehicle charge) have also been beneficial in reducing other types of pollution. In spite of the progress made in the last few years, there is excessive pollution through ground-level ozone, nitrous oxide, respirable particulate matter (PM10), acid and nitrogen damage. These damage health (**→ Health Policy**) and environment, and incur significant economic costs (**→ Economic Policy**).²⁶⁷ That is why further action must be taken to attain the clean air goals and adhere to the limits of the Clean Air Ordinance for all pollutants. The discharge of harmful pollutants including nitrous oxide, volatile organic compounds, particulate matter and ammonia should be cut by roughly half.²⁶⁸ All polluters, whether traffic, trade and industry, households, agriculture and forestry, have a duty to help to reduce pollutants. Clean air concerns must be integrated in other policy areas (**→ Transport Policy, Energy Policy, Spatial Planning Policy, Agriculture Policy, Financial Policy**). Technical means of reducing emissions and exhaust gases must be made full use of. Economic incentives, which can have an impact on the volume of traffic and energy consumption, must also be used (**→ Transport Policy, Energy Policy, Spatial Planning Policy**) to attain environmental protection goals.

Protection against non-ionising radiation (NIR):

Rise in NIR, effects on health have not been fully investigated. Need for further medical and biological research

NIR levels also need to be maintained as low as possible as a precautionary measure

Compile data on environmental impact of NIR and make it accessible to the public

Non-Ionising Radiation (NIR) is generated naturally (such as from sunlight) but these fields are more frequently produced artificially by stationary installations (such as power supply lines, railways, transmitter aerials) and by mobile appliances (such as mobile phones or household appliances). In 1999 the Federal Council passed the Ordinance for protection against non-ionising radiation, in order to limit radiation from stationary installations as a precautionary measure in view of the incomplete knowledge regarding the effects of this radiation on health. The field of wireless communication is in the process of rapid development where the range, number and spread of fixed antennas and mobile telephones are growing by the day. This process is set to continue. The use of mobile data transmission, traffic telematics and intelligent building services engineering is increasingly permeating our surroundings with non-ionising radiation.²⁶⁹ Due to the speed of these developments it has not been possible for research into the possible health implications to keep pace. The acute health implications of high exposure to NIR are well known, however, this is not the case for long-term effects of the significantly lower long-term NIR levels in the environment. In response to these open-ended questions and the steady rise in NIR sources, the population is expressing increasing concern and even hostility, and is demanding proof that it is not harmful or at least that health considerations are being placed before those of profit²⁷⁰ (**→ Health Policy**). There is a need for action on three levels. Firstly, every effort must be made to push ahead with the investigation of health-related risks of existing and future NIR exposure. The Federal Council has approved the National Research Programme 57 on non-ionising radiation and its impact on the environment and health. Secondly, the adopted precautionary strategy must be applied consistently according to the basic principle of avoiding exposure to NIR wherever possible. This requires consistent implementation of the NIR Ordinance,²⁷¹ and also sensitising industry to developing innovative low radiation technologies and products. In addition, the general public, which is concerned about such issues, should be kept informed with transparent information. This includes, for example, installation and exposure registers accessible to the public, as well as continual monitoring of the impact of NIR on the environment. Finally, more attention should also be focused on the excessive immissions produced by artificial light (light immissions).²⁷²

Some positive developments have been made in the fight against noise pollution. A high standard has been achieved throughout Switzerland in protecting residents in the vicinity of private installations (such as trade and industry). Progress has been made in terms of road noise by upgrading the national roads, especially because the funding of construction-related measures has been assured by the application of the earmarked mineral oil tax revenues. On the other hand, due to the increase in the volume of road traffic and trends in car production, the noise pollution levels along other routes will continue to rise or remain constant as the progress of cantonal road-repair programmes is often subject to delay for budgetary reasons (→ **Financial Policy**). The greatest need for action for noise protection in the medium term involves the reduction of road noise. Up to now, noise protection measures have mainly revolved around construction related measures. Further technical efforts are necessary if vehicle-related pollution (motor noise, tyres, road surfaces) are to be further reduced. A better defined transport internalisation strategy could help to ease the situation regarding noise pollution in road traffic (→ **Transport Policy, Financial Policy**), thereby reducing the need for construction related measures and therefore reducing the financial burden particularly on the cantons. The funding of public transport has been ensured as a result of the adoption by the people of the federal proposal on public transport financing (FPT bill). It is likely that noise protection goals relating to rail traffic will be attained.²⁷³ In view of the expected growth in air traffic, local noise pollution in the vicinity of airports will increase unless additional measures are set in place (→ **Transport Policy**). In addition to intensifying implementation of noise monitoring and noise abatement at source, further action needs to be taken to implement noise protection not just near residential areas but near all human and animal habitats.²⁷⁴ Special care should be taken to protect previously noise-free areas and to respond to the population's need for noise-free or low-noise residential areas and local recreation areas. In this respect, the criteria set out by the World Health Organization (WHO) for the well-being of the general public also constitute a challenge for Switzerland.

Protection against environmentally hazardous substances will become particularly relevant in the future. It is estimated that around 100,000 substances are used for commercial purposes. These substances can virtually be combined arbitrarily, which accounts for a far greater amount of products on the market. In Switzerland, as in other countries, new substances must be inspected and registered before they can be sold on the market. There are deficits in substances marketed prior to 1981 (old substances) despite efforts being made to review their inspection and assessment procedure. Progress on this front, however, has been slow. To speed up the process the EU has tightened the regulations for old substances. The REACH Ordinance to this effect comes into force in summer 2007. It remains to be seen whether Switzerland should harmonise its regulations for old substances with REACH and cooperate with the EU regarding enforcement. Particularly hazardous substances such as persistent organic substances or heavy metals should be banned worldwide in an international effort (→ **Foreign Policy**). Regulations on the classification and labelling of chemicals are expected to be harmonised worldwide before too long (GHS: Globally Harmonised System). Drawbacks include the lack of knowledge regarding the long-term effects of substances and combinations in environmentally hazardous concentrations. Finally, particular attention needs to be paid to the fast developing science of nanotechnology. Nanoparticles have special properties that could be particularly hazardous for humans and the environment. The bases for the assessment of the risk of nanomaterials to the environment and health (→ **Health Policy**) are still few and far between. A plan of action in this regard should be adopted and implemented.

In the last two decades the Swiss waste industry has gone through a major change. Waste recycling was improved in several areas, and advanced technologies have allowed pollution generated from waste disposal plants to be reduced several times over. Today, the main focus is on the economic and ecological optimisation of an already well-functioning system.²⁷⁵ Increasing importance is being given to securing the financing of the recycling system. Generally speaking, voluntary systems borne by the economy are preferred but, if necessary, regulations are sometimes decreed to ensure the financing of the recycling of certain materials collected separately. Coordination of cantonal planning for waste incineration plants remains an ongoing task. It is particularly important to avoid excess capacity by working closely with the cantons. In order to reduce transport related costs

Noise pollution and noise protection:

Need for further action in terms of road traffic noise
Rail traffic goals are likely to be attained

Need for further action in terms of air traffic noise
and further development of noise protection for human and animal habitats

Noise free and low noise residential areas and local recreation areas

Protection against environmentally hazardous substances:

Thousands of substances have still not been inspected and assessed

More stringent regulations (EU-REACH Ordinance) make sense

Need for international cooperation and ban on particularly environmentally hazardous substances

Lack of knowledge regarding the long-term effects of substances and compositions and the risks of nanotechnology, need for research

Waste and waste policy:

Need for further action for reduction of production- and product-related pollutants and for waste prevention

Securing funding for recycling systems, targeted management of waste-related resources and closure of substance cycles

Higher taxation on the use of energy and raw materials would be necessary to attain farther-reaching prevention goals

and pollution, efforts should be made to distribute waste incineration plant capacities more evenly in the long term. In order to lower emissions of gases which have an impact on the climate and to make more economical use of available energies, it is important to optimise waste incineration plant efficiency and make use of the energy they produce.²⁷⁶ As the intermediate objective of significantly reducing environmental pollution has largely been achieved, the targeted management of resources found in waste (metals, phosphate, building materials) and the process of recycling will continue to gain in importance.²⁷⁷ The necessary procedures to do this are currently being developed. The waste industry should increasingly work towards promoting product design that generates minimal pollution through all stages from production to use and eventual disposal. In this respect, it is important to raise public awareness for environmentally conscious consumerism and conservation of resources when handling waste. Financial incentives such as incentive charges to encourage the efficient use of energy and raw materials should be tested. The CO₂ Act is a case in point.

Rehabilitation of contaminated land:

Polluters are no longer available or are insolvent
Reaching goals depends on funding and on implementation capacities

In its efforts to protect the environment, Switzerland will need to rehabilitate 3,000 to 4,000 contaminated areas in the next 25 years, which will cost approximately CHF 5 billion. In many cases of contaminated land, the actual polluters are no longer available or are insolvent, leaving the Confederation to pay the redevelopment costs²⁷⁸ (→ **Financial Policy**). The revision of the Environmental Protection Act of 16 December 2005 extended this special funding to surveying, testing and monitoring costs and to funding the redevelopment of several hundred shooting ranges still in operation. As a result it should be possible to achieve the objective of finding appropriate solutions to the problem of contaminated land within the next generation.

Organisms and biotechnology:

Creation of new legal conditions for handling genetically modified organisms based on GTA

Need for establishing regulations on an international level (ABS)

Modern biotechnology has become a major scientific, social and political issue. The major challenge includes adoption of rules preferably on an international level, and careful consideration of ethnic, economic and scientific issues. In Switzerland, numerous new legal foundations are currently being laid particularly in areas of research affecting humans²⁷⁹ (→ **Research Policy, Health Policy**). The application of biotechnology, however, raises controversial issues in non-human fields, especially in agriculture (→ **Agriculture Policy**). Managing genetically modified organisms (GMOs), in particular, is a thorny issue but so is managing pathogenic organisms (POs) and foreign invasive organisms. The number of GMOs cultivated worldwide is increasing although this increase is limited to a few large non-European countries. In Europe the number of release experiments and areas under cultivation to a large extent remain stable. The Gene Technology Act (GTA, in force since 2004, Ordinances undergoing revision) and the Environmental Protection Act lay down strong and safe conditions for managing organisms without endangering the biological diversity and fertility of the soil.²⁸⁰ International coordination poses a considerable challenge. Much has been achieved through the Cartagena Protocol in the area of GMOs. On the other hand there is a pressing need for an international instrument for the fair distribution of benefits when exploiting genetic resources (ABS Access and Benefit Sharing).²⁸¹

Preventing major accidents:

Increase in potential biological safety hazards and growing risks due to transportation of hazardous goods

Significant progress has been made in terms of preventing major accidents since the implementation of the Major Accident Ordinance at the beginning of the 1990s. Many larger potential safety hazards have been removed and company risk management has tightened up particularly in the case of stationary industrial facilities. In the future, potential biological safety hazards relating to further developments in biotechnology will require increased attention. It has also been possible to reduce the risk in the area of the transport of hazardous goods²⁸² by rail, especially following the implementation of the joint statement of the SBB AG (Swiss Federal Railways), the SGCI (Swiss Societies of Chemical Industries) and DETEC.²⁸³ However, it can be seen that major traffic accident risks cannot be sufficiently reduced through organisational and technical measures in Switzerland alone. For example, owing to increasing economic links with other countries, measures for improving the safety of means of transport for certain hazardous goods in the international community must be implemented. That is why, in the coming years, Switzerland needs to continue its involvement in the appropriate international committees for such safety measures²⁸⁴ (→ **Foreign Policy**). The expected increase in the transportation of hazardous goods via road or on the Rhine will mean a rise in the related potential

safety hazards. Spatial planning is increasingly in demand in connection with major accident prevention. As a space-oriented, coordinated precautionary measure against natural hazards and installation-related risks is a great challenge, technical and organisational requirements must be developed for a space-orientated risk management. With the merging of the SAEFL and large parts of the FOWG into the FOEN and the creation of the Hazard Prevention Division which deals with natural hazards and risks from chemicals (major accidents), coordination in this area has been considerably improved. Spatial planning authorities must be provided with adequate guidance on hazards so that they can help to protect against disasters by means of strategic planning (→ **Spatial Planning Policy**).

Pollution caused by natural hazards has quadrupled over the last 20 years. The reasons for this are increased use made of potentially hazardous areas and the increased vulnerability of constructions and installations (the storage of more valuable goods, production facilities, etc.). Another reason can be found in climate trends (→ **Climate Policy**). The major storms in 1987 made people stop and think about natural hazards. The storms in 2005 again made people very aware that there was no such thing as absolute safety. And more extreme weather patterns are likely in the future. A comparable safety standard for comparable uses is essential across Switzerland to cope sustainably with the vagaries of nature. The first thing is to issue hazard maps, showing where residential areas in Switzerland are living under the threat of floods, avalanches, landslides or rock falls. By 2011, hazard maps for the whole of Switzerland should be available, and of course this requires huge efforts on the part of the cantons. These hazard maps can be used to establish hazardous areas and decide which areas should not be used. For example, flood drainage corridors and highly vulnerable areas should be kept clear. The main requirement for this is the implementation of the hazard maps in terms of spatial planning. This has to be given priority. Acceptance of the necessity of these measures must be encouraged so that any conflict of interest linked to restrictions on use can be resolved. Serious damage will then be preventable if constructions and installations are less vulnerable to natural phenomena. Architects and planners should be given special training in protecting property. People should be made aware of natural hazards. This is the only way that owners of buildings and installations can take on more responsibility for their own concerns and deal appropriately with any victims in a loss event. These measures alone are not enough, however. In order to cope better with the vagaries of nature, the integral risk management must be consistently applied. This is not restricted to individual measures but can apply to all plans of action (spatial planning, maintenance, technical and biological measures, civil protection, warning signals, early warning system, alarm raising and evacuation) in order to keep the economic damage to a minimum. The elimination of defects in existing protective systems and their sustainable upgrading or renewal require a long-term investment programme to guarantee the safety of natural habitats and economic areas from natural hazards within a reasonable timeframe. The protective systems need an appropriate adaptation strategy (robust, able to take heavy loads, adaptable) (→ **Spatial Planning Policy, Security Policy**).

The development of biological and agricultural diversity based on the continuation of the policies with spatial impact will also in the medium term be affected by the urban sprawl and the increasing net use of land for transport and residential space as well as the pressures of agriculture and tourism. The increase in energy prices (→ **Energy Policy**) will lead to a reversal of trends in the use of forests and could again put the pressure on in terms of biodiversity. At the same time the financial and human resources of the Confederation and the cantons are coming under pressure as regards nature and landscape policy. The Swiss landscape has been subject to many changes, particularly in the last few decades. These were in the form of countless small, barely noticeable steps that have almost completely pushed natural landscape to the high Alpine areas, to marginal agricultural and forestry areas and to protected areas. Shortcomings in spatial planning policy²⁸⁵ have a noticeable effect on the quality and diversity of landscapes; the concomitant pressure (relaxing of spatial planning legislation in favour of agriculture, the planned revision of construction outside building zones) continues to rise (→ **Agriculture Policy, Spatial Planning Policy**). In order to cope with these developments, more operable quantitative and qualitative protection and development goals must be formulated in the area of nature and landscape,

Protection from natural hazards:

Nationwide storms in 2005
Hazard maps up to 2011
Vulnerable areas not to be used
Investment programme on sustainable renewal of protection buildings and elimination of protection deficits

Biological and agricultural diversity:

Urban sprawl, intensified land use and scant financial resources to reverse the trend
Some improvements possible using measures for nature and rural protection and in agricultural and forestry policy
Voluntary steps and cooperation with business gaining in importance
Parks of national importance promote regional policy, tourism and ecological rural development

Improvement in the quality of life in urban areas

which however is encountering many methodological difficulties particularly relating to landscape and is coming into conflict with the complex allocation of tasks between the Confederation and the cantons in this area and in spatial planning policy (→ **Constitution and Institutions**). The nature and rural protection measures in Swiss rural protection policy, the new direction of agriculture policy, and natural forest management should help to improve the situation in the medium to long term and should therefore be continued²⁸⁶ (→ **Agriculture Policy, Forests Policy**). The means for the further expansion of ecological equalisation areas and their quality level in useable agricultural areas are guaranteed in the medium term under the 2011 Agricultural Policy. In the long term, however, they could encounter financial limits, thereby challenging the implementation of the United Nations Agreement on biological and agricultural diversity (→ **Financial Policy**). It is therefore very important in the medium term to pay close attention to the effects of ecological equalisation measures for agriculture on urban living quality and biodiversity and to conduct a performance review because people will only continue to accept ecological equalisation payments if the related benefits become apparent (→ **Agriculture Policy**). A great challenge will be posed by the promotion of species and especially in setting aims and measures regarding species for which Switzerland has a particular responsibility. In view of the limited room to manoeuvre financially, voluntary steps towards supporting nature and the countryside as well as cooperation between the public sector and the business community will gain in importance. The parks of national significance have different priorities. In the national park, the free development of nature has priority. Regional nature parks are rural areas with high-value natural and cultural landscape values in which sustainable development, soft tourism and the sale of local products are promoted. Back-to-nature parks are smaller areas which are allowed to develop naturally and where nature in all her glory has priority.²⁸⁷ The continuous urban sprawl could be reduced in the future primarily by using stricter transport and spatial policy planning measures (→ **Conurbation Policy, Spatial Planning Policy, Transport Policy**). In addition it is also good to maintain a high quality of life for humans in residential areas and to arrange these so attractively that respect for the environment, e.g. in leisure activities, is encouraged. This can only happen if the necessary understanding of and sensitivity to the environment is developed in people; the business community and the communes must be made aware of the value of a high-quality location as a residential area or place of work and with an eye on the tourist asset of “landscape”. Another challenge involves the advancing process of urbanisation in far-flung areas of Switzerland with a view to maintaining biological and landscape diversity: back-to-nature recreation areas must be included in the urban areas. A forward planning communal and regional plan is absolutely essential (→ **Economic Policy, Spatial Planning Policy, Regional Policy**).

Protection and use of forests:

Numerous forest functions

A wood resource policy to be formulated

Coping with new challenges

Forests have numerous functions. They contribute to environmental protection (for example, improvement of air quality as a CO₂ store) and biodiversity, offer an attractive leisure area to a growing number of visitors, enrich the diversity of natural cultural landscape and provide low-cost wood. Forests also offer protection from avalanches and soil erosion, and store and purify drinking water. It seems likely that society's demands on the forest's resources will rise, e.g. using the forest as a CO₂ sink (→ **Climate Policy**). It is therefore possible that the competition between its various functions will become greater and the Confederation will be required more and more to intervene in such matters. New solutions at partnership level between forest owners and forest users must also be found in public areas owing to the fast shrinking public funding (→ **Financial Policy**). The Confederation is meeting this challenge with a participatory formulated plan of action for the period 2004–2015 (Forest programme).²⁸⁸ The priorities here are to ensure the protective forest functions, maintain biodiversity in the forest, protect the forest floor, trees and drinking water, improve the economic performance of forest management and enhance the added value chain of wood. There is a clear trend towards rising energy prices and new and further investments in the wood industry pushing up the demand for wood. This would also bolster wood's added value chain. In the future it is important to cope with the increasing pressure on forests due to the rising need for land in residential spaces and urban areas.

Environmental Foreign policy:

International treaties have allowed progress to be made on an international level.²⁸⁹ However, many problems are still unresolved and will have significant direct or indirect long-term repercussions for Switzerland based on the current development trend. This is

particularly true for global climate change (→ **Climate Policy, Energy Policy, Foreign Policy, Annex A1**) and for the global loss of biodiversity. Against the backdrop of the economic, scientific and technological globalisation processes, it will be more important than ever to strengthen the international environmental system. The ongoing development of the environmental treaties in the areas of climate, biodiversity, ozone, wetlands and chemicals, the closing of existing gaps in international environmental law (in particular in the areas of water and forests) and the enshrining of the principle of the equivalence of the WTO rules and regulations and of the environmental treaties are therefore a top priority (→ **Annex A1**). Switzerland can make a meaningful contribution by consolidating its commitment (in particular under the GEF). In the long term, Switzerland will need to significantly increase its financial commitment, in order to achieve, together with developing countries, further-reaching objectives and effective measures as regards global environmental treaties (→ **Financial Policy**). At European level, Switzerland is even more reliant on further development of international treaties and the harmonisation of environmental standards because of the increasing competition to attract business, particularly within Europe. The EU has a considerable influence over environment policy in Europe. Switzerland's membership of the European Environmental Agency in 2006 will mean that it will be able to play a more active role in Europe in developing European environmental law and in the search for innovative environmental policy measures. In the area of application and for the development of the other Switzerland-EU agreements and in the Environment Europe process or in the area of cooperation in the UNECE and the Council of Europe, the aim is to use any room for manoeuvre to further environmental interests. However, it will only be possible to participate fully in the drafting of European Environment policy when Switzerland is a member of the EU (→ **Foreign Policy**).

Some progress, but overall an increasing need for managing global environment risks

Need for increased commitment in international Environment policy committees to solve problems

Rise in related financial commitments

Further development of Environment policy in Europe is mainly influenced by the EU

Better possibilities for active participation (in influencing European Environment policy) if Switzerland is a member of the EU

Energy policy

The consumer energy demand is now more than five times the level it was in 1950 as a result of population and economic growth and as a result of falling real energy prices.²⁹⁰ In particular the use of motor fuels (→ **Transport Policy**) has increased considerably, and since 1950 even that of electricity and natural gas. During the 1990s, the consumer energy demand increased by 8.5 per cent and between 2000 and 2005 by 3.7 per cent. The per capita demand has been fairly stable since 1985 as a result of efficiency improvements mainly in the building sector and by the decline in energy consumption in the economy. The percentage of new renewable energies (i.e. renewable without consuming hydroelectric power) consumed increased between 1990 and 2005 from 3.5 per cent to 4.5 per cent, but is still very low. The consumption of hydroelectric power accounted for around ten per cent of the gross energy consumption.

Energy consumption is five times the level it was in 1950:

Stabilised per capita consumption but no change in trend at the beginning of the 21st century

The take-up rate of the energy efficiency and renewable energies potential is dependent on energy prices, flexibility of demand and replacement options. With the rise in the fuel prices between 2004 and 2005, sales of lead-free petrol, for example, fell by 3 per cent but by the same token diesel sales rose by more than 9 per cent. If 70 per cent of Switzerland's consumer energy demand continues to be met from fossil fuels, there will always be the following problems: CO₂ emissions, environmental pollution due to energy consumption, accident risks linked to energy production and the consumption of non-renewable sources that in the long term will no longer be available at affordable prices and which to a large extent are to be found in politically unstable regions (→ **Annex A1**). The external costs caused by energy consumption are considerable and will lead to insufficient economic and ecological investments over the long term²⁹¹ (→ **Economic Policy, Climate Policy, Environment Policy**).

Undesirable side-effects relating to energy consumption:

The current form of energy consumption causes pollution, accident and supply risks

The most important factors affecting the future development of energy consumption are population growth and economic growth, energy prices and the shaping of Energy policy in the future. The "further than ever before" scenario for the future of energy demand and energy supply²⁹² shows that under the energy and climate policy adopted by the Federal Council (Energy Act, SwissEnergy, CO₂ Act) the trend of rising end energy demand can be reversed from around 2015 and stabilised by 2035. CO₂ emissions will increase by 2.8 per cent with a mixed electricity supply variant (geothermal power stations as a tempo-

Energy consumption to 2035:

Stabilisation of end energy consumption up to 2035 if current policy continued

rary strategy, then by nuclear energy) in the next 30 years. A continuing reduction to 2010 and beyond requires considerable additional efforts. The existing energy and climate policy instruments together with SwissEnergy, the core programme focusing on Energy policy measures, aim to counter the current trend. The goal stipulated in the CO₂ Act of a ten per cent reduction by 2010 of the 1990 figure can be achieved, provided the measures proposed by the Federal Council (introduction of a CO₂ tax on heating fuels, promotion of natural gas and bio fuels, and the private sector climate cent on vehicle fuels) are introduced in good time and implemented appropriately.²⁹³

Future power supply:

Increasing shortfall from around 2020

Nuclear energy option still open. Solution for disposal of radioactive waste is a matter of urgency

As far as electricity supply is concerned, it is forecast that from around 2020 there will be a shortfall which will be caused at the supply end by the shut-down of the Mühleberg and Beznau I and II nuclear power stations, the expiry of long-term supply contracts with France and a rising electricity demand. The top priority is to make more efficient use of electricity to cover the expected supply shortfall from 2020, followed up by the promotion of renewable energy sources. Despite the efforts of the SwissEnergy programme there will still be a shortfall. This must be offset by fossil or nuclear fuels, hydroelectric power, electricity imports or renewed economy drives. Any real contribution to electricity production from new renewable energy sources is only possible with very wide-ranging promotion campaigns. The import options of “green electricity” are limited.

A temporary solution could be to use combined-cycle gas turbine power stations to bridge the power supply gap. These power stations, however, emit substantial amounts of CO₂, thereby jeopardising the Swiss Kyoto goals and going against long-term climate policy (→ **Climate Policy, Environment Policy**). Future operators of combined-cycle gas turbine power stations will have to come up with compensation measures in Switzerland or abroad. The new Nuclear Energy Act (in force since 1 February 2005) provides comprehensive legislation for the further use of nuclear energy. One of the federal authorities’ tasks is to thoroughly test the feasibility of the nuclear energy option, taking into account any risks (political, financial, technical, etc.). The new legislation also rules on nuclear waste disposal and gives the federal authorities the necessary competences and instruments. In this regard, the Federal Council noted on 28 June 2006 that any outstanding proof of the disposal of radioactive waste had been provided. The next pressing task now is to assess and decide on locations for such repositories in accordance with the “deep geological repositories” sectoral plan (→ **Spatial Planning Policy**).

Electricity market:

Deregulated market in Europe

Process of concentration and internationalisation in the European electricity market

Electricity supply act should solve major problems

Supply can only sensibly be assured within the context of a European system

Power line network based on sectoral plan. Further develop transmission lines (SÜL)

Need to strengthen hydroelectric power and renewable energy

The planned opening or deregulation of the electricity market in Europe is likely to result in a process of concentration and internationalisation of electricity distribution companies, which can already be seen at inter-regional level. This development will presumably continue and future investment decisions will be increasingly focused on Europe and will be based mainly on profitability criteria. Following the rejection of the Electricity Market Act in 2002 the Federal Council decided, on account of persistent problems to make a fresh attempt at new legislation, this time with an Electricity Supply Act. A legal framework is essential for all of the following: cross-border power supplies, to a large extent unregulated, during supply shortfalls in the network; legal uncertainty regarding investments in the power networks and electricity production in Switzerland; non-transparent supply efficiency and security of adequate supply; lack of transparency regarding network costs; payments for use of the network and power rates; lack of non-discriminating network access, and unregulated attributable costs for the networks. The main concern here is to guarantee a high security of energy supply at all times and to provide basic services. Future basic conditions for promoting electricity from renewable energy sources need to be developed. It is also important for supply companies to have a non-regulated environment in which to continue the changes they are introducing (e.g. the introduction of separate billing systems according to network and market activities, improved customer service, concentration on core competences, future investments, etc.). As a result of the opening up of the electricity market in Europe, the basic conditions for ensuring an electricity supply have changed. The internalisation of the power supply, which is increasingly possible across borders on the European network, will in the medium term continue to increase. A strategic transmission line network needs to be defined, and should be dealt with as a matter of urgency. The planning basis for this will be provided by the Transmission Lines (SÜL) sectoral plan. It will also be necessary to examine how the position of

national hydroelectric plants and other renewable energies can be strengthened given the increased competition in Europe.²⁹⁴

Natural gas will continue to play a major role in energy supply. In the EU first the electricity market was deregulated and now the natural gas market is following suit.²⁹⁵ Given the gradual merging of the European electricity and gas industry and the close integration of the Swiss natural gas industry into the European supply network, the question arises as to whether the gas market should be restructured. This is less of a problem than it was for the electricity market as there is already a certain degree of competition between oil and natural gas for heating systems and because Switzerland imports its natural gas and oil. The gas industry has also signed an agreement, in accordance with the provisions of the Pipelines Act,²⁹⁶ which harmonises and facilitates access to the high-pressure gas network. Transport capacities through Switzerland have been marketed since 2001 on this basis. The national and foreign natural gas market must be closely monitored. If the agreements of the gas industry are not sufficiently effective, another statutory regulation will have to be considered. However, a higher priority for customers than deregulation is guaranteeing an adequate supply. Provisions must be made that harness important elements of the supply security plans for Switzerland and prevent discrimination against Swiss consumers as a result of legislation in individual EU countries.

Many potential energy policy conflicts revolve around the pressing question of how to deal with any shortfalls that may arise from 2020 or thereabouts in Switzerland's power supply. It is a moot point whether and from which point in time new nuclear power stations can be considered an option. Another unresolved issue is also the major decision on the basic conditions for geothermal power stations in Switzerland. Use of hydroelectric power and other renewable energies can only be increased if favourable conditions can be created. Currently a mixed strategy with several options is favoured. This would ensure that power production plants are politically feasible, ready at the right time, and economically viable. If the operating licence for the Mühleberg nuclear power station (limited until 31 December 2012) is to be extended, the appropriate processes must be started soon. The complete revision of the Nuclear Energy Liability Act whereby the current limit of indemnity of CHF 1 billion is to be substantially increased is still pending. The selection process for suitable locations, already mentioned in the "deep geological repositories" sectoral plan, begins in mid 2007 and will lead to wide-ranging and controversial discussions in the regions affected (→ **Spatial Planning Policy**). This process of selection is a demanding, costly and delicate task that puts huge demands on all involved, in particular the Federal Office for Energy, which has overall responsibility. The medium-term aims regarding CO₂ emissions from fossil fuels are just achievable by 2010 if the policy proposed by the Federal Council is implemented as intended. To achieve the ambitious goals expected for the post-Kyoto period from 2012, energy and climate policy measures will have to be strengthened. The problem of achieving long-term goals was aggravated by the building of geothermal power stations (→ **Climate Policy**). There is a need for action, particularly in terms of electricity and transport fuel consumption and renewable energies. The Energy Act does not provide for the introduction of widespread incentive charges, which could place doubt on its aims being achieved. A cost-covering feed-in price for power from renewable energy sources is conceivable. Economic instruments have only been envisaged as a back-up measure in particular areas.²⁹⁷ The Energy Act allows global contributions to be made to cantons that have their own development programmes for the funding of development measures in construction and for renewable energies. Without long-term secured funds, possible promotion measures are limited, which could place doubt on achieving the goals in terms of renovating existing buildings (→ **Financial Policy**). The range of options described under Energy policy requirements 1 clearly shows that a discussion on energy in general is absolutely vital.

Current decisions relating to energy policy have a significant impact particularly on the long term developments of energy consumption. In the long-term, if current energy policy were to be continued, the consumption of fossil fuels up to 2035 would only be marginally lower than today or, if geothermal power stations are used, would continue to grow, while electricity consumption would rise steadily and would only be gradually stabilised in the event of a long-term economic slowdown or with major structural changes. The

Natural gas market:

Opening the market depends on developments within the EU

Less problematic than the electricity market

Access of third parties to high-pressure gas network already ensured

Guaranteeing an adequate supply at all times is top priority

Energy policy requirements 1:

Combined strategies are essential in filling the expected shortfalls in power supply from around 2020

Basic conditions must be adapted accordingly

Aims in the area of CO₂ emissions from fossil fuels are achievable when the planned policy is consistently implemented

Additional efforts necessary to reach target: Stabilisation of electricity consumption, decrease in the consumption of transport fuels and need for heat, and promotion of renewable energy sources

Energy policy requirements 2:

Without a more effective energy policy there will in the long term be no clear decrease in energy consumption and CO₂ emis-

sions and only a minimal increase in renewable energies SwissEnergy and instruments in the Energy and CO₂ Acts can be used as a basis for further development of energy and climate policy

proportion of renewable energies in relation to total energy consumption would remain below 20% in the long term. The adverse side-effects of current energy consumption, such as CO₂ emissions, and distribution and accident risks, would remain at a high level, and the CO₂ emissions would accelerate climate changes²⁹⁸ (→ **Climate Policy, Annex A1**). As the Confederation's energy statistics show, in view of the current oil price crisis a much more stringent energy policy is needed for long-term harmonisation with the necessary emission reduction path for greenhouse gas emissions. It would be necessary to launch the promotion programmes for rational energy use and renewable energies, introduce high incentive charges on all energy consumption and compulsory or more stringent consumption standards for buildings, appliances, plants and vehicles. In addition to this, there is the long-term challenge of stopping the use of fossil fuels, particularly for the heating and hot water systems in buildings. In the transport fuel sector, biofuels for transport and heating can play an increasing role internationally.²⁹⁹ The introduction of such a policy would have to be internationally coordinated and would include other measures such as promoting research and development and introducing more stringent regulations in order to obtain the desired reduction in climate change.³⁰⁰ This reorientation of energy policy could also provide Switzerland with a better opportunity to consolidate its international commitment (→ **Environment Policy, Climate Policy, Foreign Policy**). The SwissEnergy programme and the instruments provided for in the Energy and CO₂ Acts are the basis for the current energy and climate policy for a sustainable and climate-friendly energy supply. The continued development of political instruments and effective measures with a view to further reduction goals for the period after 2010, which the Federal Council must submit to parliament in good time under the CO₂ Act, should be encouraged.³⁰¹

Incentive charges for protecting resources:
Would create opportunities for refocusing on sustainable use of energy

Incentive taxes on non-renewable energy sources and electricity are therefore particularly important.³⁰² A tax reform would significantly increase the incentives for sustainable energy use. The technologies for an energy-efficient society are available. Incentive charges are generally more effective and cheaper than subsidies and regulations.³⁰³ The goal of the tax income-neutral shifting of the tax burden from work to energy is therefore increasingly important for energy and climate policy³⁰⁴ (→ **Climate Policy, Financial Policy**).

Spatial Planning Policy

“Swiss planning policy guidelines”:
Continued valid orientation framework
Goal of sustainable spatial development
Further development of a “Swiss spatial plan”

The goals of the Swiss spatial planning policy, which are as valid today as they ever were, were set out by the Federal Council in 1996 in its “Swiss planning policy guidelines” report.³⁰⁵ A joint effort by the Confederation, cantons and cities was launched in 2006 to fine-tune a “Swiss spatial plan”. Underlying the guidelines is the vision of a networked system of urban and rural spaces. Compact urban development should guarantee the efficient use of energy and other natural resources and an affordable infrastructure. It is intended that the economic potentials of the various areas should be increasingly linked by an excellent network of towns and rural areas and synergies maximised. At the same time the major polycentric urban area structure, which is important to the multilingual and federalist country, should be maintained and the countryside spared further urban sprawl. The guidelines should help towards the long-term aim of sustainable development (→ **Sustainable Development**) and be in keeping with the overall goals of sustainable spatial development in Europe, which is geared towards polycentric spatial development.³⁰⁶

Trends:
These continue as before and to a certain extent go against the aims of the guidelines

Actual spatial development contradicts these goals to a certain extent. Many trends that are relevant to spatial planning policy³⁰⁷ continue as before. As a result of structural changes, economic activity tends to be concentrated in a small number of large conurbations, which encourages functional segregation in and around large cities. Consequently, cities and conurbations consequently increasingly act as motors for economic growth and innovation (→ **Economic Policy**), but they also aggravate existing social problems. At the same time, populated areas continue to grow more rapidly than the population. The constant growth of urban space per inhabitant is seen in the growth of urban areas and progressive urban sprawl taking over rural areas (→ **Environment Policy**), making it hard to organise efficient transport services (→ **Transport Policy**) and maintaining or even

improving the quality of urban life. This adversely affects Switzerland's international competitiveness (→ **Economic Policy**).

As in most EU countries,³⁰⁸ current spatial development in Switzerland is marked by a trend towards further urbanisation. In the last twenty to thirty years, lifestyles and living arrangements in Switzerland have changed radically. Around three quarters of Swiss people live nowadays in or around towns. These conurbations stretch from city centres right out into the surrounding areas. City centres are surrounded by urban communities with extensive housing estates, unstructured industrial and trading estates, shopping centres and recreation areas or adventure parks. Business activities are concentrated in the conurbations: 82 per cent of all workplaces are located here. Switzerland's 50 conurbations and five cities cover one quarter of the country's area and contain 979, i.e. one third of all communes. The conurbations have grown in recent decades faster in terms of area than their percentage of the total population, and have increasingly spilled over into the former rural areas. Large areas have therefore lost their rural character without, however, having the advantages of a town.³⁰⁹

Urbanisation:
Full steam ahead

Individual conurbations are not only expanding but visibly encroaching on other conurbations, forming large working regions³¹⁰ that cross cantonal and national borders (large areas exist around Zurich, Geneva, Basel, Lake Constance, Ticino/Lombardy). Today there are three working regions (Zurich, Basel, and Geneva-Lausanne) that set the pace for business development in Switzerland (→ **Economic Policy**). In contrast, the institutional creation of national regions (such as the Espace Mittelland) or cross-border regions (such as Trinational Eurodistrict Basel, cross-border conurbation of Geneva and Regio Insubrica) is progressing more quickly in some places than in others, but generally at a slow pace (→ **Constitution and Institutions**).

Working regions springing up:
Two to three working regions set the pace

The segregation between social and working areas is becoming more pronounced in (large) conurbations. The spatial separation of living, working and leisure activities has increased over the past decades. In 2005 some 55 per cent of workplaces in all conurbations were in the city centres,³¹¹ whereas the population of the centres was only 38 per cent of the population of the conurbations. The separation of home and place of work meant that the stream of commuters increased considerably: the number of commuters in the city centres rose continuously between 1970 and 2000. However, since the 1980s places of work have started to move away from the city centres into the communes of the immediate conurbation belt, which again created floods of new commuters, putting an unnecessary strain on public transport. Young families prefer to settle in the communes on the outskirts of the conurbations as they can find affordable housing and a better quality of environment there. In contrast, the city centres, and with larger conurbations even in the immediate conurbation belt, draw in the more socially deprived population groups (the poor, the old, foreigners, unemployed, etc.) who are attracted by the anonymity and the comparatively large choice of social services³¹² (→ **Social Security and Social Policy**). Most recently, however, living in the centre of town has become more popular with young, well paid, single professional people. This trend towards reurbanisation can be seen for example in the revamping of old industrial districts or in the gentrification of areas around railway stations. The development of districts must aim above all to prevent segregation. This is an important concern from the point of view of integration (→ **Summary**).

Conurbation problems:
Increase in social and functional segregation
Urban transport system overstretched
Noticeable revitalisation

The urbanisation process associated with the general economic and population trends affects the use of spaces and land. Switzerland's residential areas cover an area of around 280,000 hectares. This is equivalent to just seven per cent of the area of the whole country. About half of this is taken up by buildings and the land immediately surrounding them and around one third by areas used for traffic purposes. In the last 20 years residential areas have mushroomed – mostly at the expense of agricultural areas (→ **Agriculture Policy**), and the trend continues at the rate of around one square metre per second.³¹³ One third of the new urban areas were used to build detached houses. Currently, the legally approved construction zones total an area of 220,000 hectares (excluding traffic areas). Almost three quarters of these have been built on. Homes and living space for around 2.5 million people could be provided on the 60,000 hectares of construction areas which have not yet been built on. In comparison with the number of inhabitants, the largest

Use of land and uncontrolled development:
Unrelenting progression

construction zone reserves are to be found in rural areas, in particular in tourist communes. This raises the fundamental question of whether the construction zone reserves are in places where the need for construction is greatest and whether the growth in residential areas is considered appropriate. Even in built-up areas there are also considerable utilisation reserves not being exploited. In the canton of Zurich, for example, in some regions only about half of the designated areas are actually being used. If you take just the properties formerly used by industry and trade and which are now unoccupied, there is a designated useable area of 15.6 million m² across Switzerland, which is the equivalent of the urban area of the city of Geneva. Around half a million people live in areas outside the construction zone, where the urban area has expanded to around 105,000 hectares. Despite legal restrictions, construction activity outside the construction zone is considerable. Around 13 per cent of all the construction projects in 2002 were for areas outside the construction zone.

Rural space:

Remain an important living area and place for business
Vital space functions for sustainable development

As the conurbations expand, the amount of rural space is changing with it. It now covers an area of 31,000 km² (77 per cent of the total area of the country). In 1970 there were 2,521 communes in rural areas, accommodating 42 per cent of the total population (2.7 m inhabitants), but in 2005 there were 1,815 or just two thirds of all communes with 27 per cent of the population. The rural area remains a habitat and economic area where 2 m people live and 670,000 people work (2005 figures excl. the primary sector). In the rural areas, in addition to the main bulk of agricultural operations there are also many small and medium-sized enterprises (SMEs) that operate in the commercial and industrial sector or in the services sector (→ **Economic Policy**). The rural areas also play a very important role for recreation, leisure and tourism as well as ecological equalisation and provision of the basic necessities of life. These functions may not be the most lucrative but they are essential for the sustainable development of the country.

The rural spaces are very heterogeneous, so the challenges and strategy approaches are very different, too. For the areas around the conurbations, the peripheral rural areas, the main objective is to restrict urban sprawl and to maintain virgin, multifunctional landscapes. For Alpine tourist centres it is a balancing act between the market-driven renewal of infrastructures and preservation of their money-spinner, the landscape, and it is also important to monitor secondary residences. Finally, in the outlying rural areas great importance is attached to the consolidation of rural centres and small centres. With a restructured infrastructure and provision of services together with employment and training opportunities their influence should extend into the sparsely populated surrounding areas, thereby helping these areas to survive. Given the current trends, this could possibly mean that the population of some villages and urban areas will fall. This possibility can no longer be kept out of a political discussion, even if in the foreseeable future hardly any major drains on the population can be expected.

Regional development:

Increase of inter-cantonal disparities
Key developments in respect of:
...population and jobs...

In rural areas the demographic and macroeconomic general data has again changed radically since the mid 1990s in contrast to the rest of Switzerland. In particular, the business dynamic has dropped in comparison with the Swiss average. Several factors have contributed to this development as we shall see below.

At 5.9%, Switzerland's population growth between 1990 and 2000 lay only marginally under the 8 per cent figure of the 1980s, but nonetheless was not generally homogeneous: The figures show that at first there was an above average increase in the number of inhabitants in the rural cantons.³¹⁴ From 1998 there was a break in the trend with a centralised growth in the urban areas. Since then for the first time since the 1970s the trend in rural areas has again been slower than in the city areas. However, the annual growth rates in urban and rural areas have been more or less identical since 2003 due to the sluggish growth in urban areas. A similar trend can be seen for jobs. In the 1980s all cantons benefited from an upward employment trend, rural cantons usually more than urban cantons. Since the mid 1990s job growth in the rural areas has again been lower than in the urban areas.

...sector structure...

The sector structure has a considerable effect on the gross domestic product (GDP) of a region (→ **Economic Policy**). In urban areas, the concentration of added-value and innovative sectors generates an above-average GDP and a high salary and qualifications level

among the employed and leads to a concentration of economic and political decision-making functions (→ **Constitution and Institutions**). This trend has clearly increased over the last ten years and should continue to do so according to current scenarios.³¹⁵

Despite Switzerland being one of the richest countries in the world, it is rapidly being overtaken by other countries due to its relatively slow long-term economic growth (→ **Economic Policy**). What can be seen at national level is accentuated at regional level: some Swiss regions have in recent years already lost their GDP advantage over the regions just across their borders.³¹⁶ There is also to a certain extent a considerable disparity between Swiss regions as regards GDP trends. The cantons' aggregate income as an indicator for the spatial distribution of income also shows an increasing gap between cantons near urban areas and outlying cantons. Several cantons from Central and Eastern Switzerland and the major areas of Basel and Geneva-Vaud have gained ground over the last ten years, a trend that has continued since the mid 1970s. Against this background, a region's ability to innovate is becoming increasingly important. This means that regions must be in a position to search for and acquire new know-how and technologies, and to apply them to their specific needs. They must also be able to create marketable offers by developing specific solutions. In the coming years when substantial federal investments are made in the education and innovation system to bridge the productivity gap, disadvantages will mainly occur in regions that have insufficient critical mass (→ **Economic Policy, Education Policy, Research Policy**).

These trends are not in keeping with the goals of sustainable spatial development, as set out in the Swiss planning policy guidelines. This set of goals will be further developed jointly into a "spatial development policy for Switzerland" on the basis of current trends and the challenges of the Confederation, cantons and cities, with an increased focus on the requirements of sustainable development (→ **Sustainable Development**). Efforts in these areas of conurbation policy, spatial planning and regional policy need to be doubled. In addition to the instruments specific to these policy areas, the cross-sectional and coordination functions of spatial planning policy also need to be consolidated.

Within the conurbations, the city centres carry out a variety of tasks for the whole conurbation without being sufficiently compensated for so doing. At the same time, conurbation communes that participate in the funding of the centre's costs, have little or no impact on the decisions of the city centre. Despite the creation of new bodies here and there to deal with cross-commune challenges, existing deficits in cooperation are eliminated in only a very few cases. The Confederation has been operating a more active conurbation policy since 2001 with the aim of strengthening coordination and cooperation in the conurbations.³¹⁷ As part of a conurbation policy, the Confederation first of all wants to better coordinate its policies in its impact on cities and conurbations, secondly to strengthen vertical cooperation with cantons and cities under the Tripartite Conurbation Conference (TAK), thirdly to improve horizontal cooperation in the conurbations, and fourthly to continue to contribute to the integration of Swiss cities into the European city network. In order to implement these goals, the main instruments in the medium term are the "conurbation programme" and the "model project". Another central issue is dealing with urban traffic (which the Confederation plans to address by linking funding with the existence of a conurbation strategy) (→ **Transport Policy**). With the creation of a constitutional basis for conurbation traffic in 2004 as part of the reorganisation of financial equalisation between the federal government and cantons and with the tying of funding to the formulation of conurbation programmes, a decision made in 2006 when the infrastructure fund was approved, important incentives were injected into the conurbation policy that in the coming years could be continued in a targeted manner.

To counter urban sprawl and unfavourable developments in the use of space, there need to be changes in the instruments used. The 2005 spatial development report³¹⁸ formulated many reform proposals, such as: the promotion or creation of financial incentives such as the exploitation of added value created by planning, free market tools (e.g. area use certificates) or financial sanctions for non-compliance with obligations; monitoring of spatial planning tools, in particular higher requirements for cantonal structural plans with regard to urban development, setting of quotas for construction zones or residential areas, moni-

...economic growth
and national income

Need for action:
Remains acute
"Swiss spatial plan" must
be geared to requirements
of sustainable development

Conurbation policy:
Continuation of the com-
mitment introduced by the
Confederation

**Urban development
and ground policy:**
Reinforcement urgently
needed

New regional policy:

Increase in added value and competitiveness

Confederation's regional structural policy

Harmonisation with spatial planning and sustainable development

toring and resizing of construction zones, consideration of natural hazards; better coordination of urban development and transport, e.g. by new development regulations and higher requirements for urban areas requiring a public transport connection as a condition; the promotion of development within existing urban areas, e.g. by introducing regulations on minimum exploitation levels.

The new financial equalisation³¹⁹ adopted in 2004 is vital for the ensuring of inter-regional equalisation, as is the responsibility held by the Confederation for the basic provision of infrastructure in the regions. This allows future regional policy in the strict sense of the term to position itself as a complement to the Confederation's regional structural policy and to gear itself accordingly to new goals and strategies. The new regional policy aims to strengthen regional added value and competitiveness in order to make a contribution to the creation and maintenance of jobs in rural areas. By improving regional location factors, growth incentives must be activated (→ **Economic Policy**). In addition, the regions should be enabled by way of institutions to overcome location weaknesses and the attendant, insufficient regional added value. Alongside economy-related infrastructure facilities, soft location factors such as the attitude of institutions to business, the access to knowledge and company networks are becoming more important. The aim of the new regional policy should be achieved by means of three strategic focuses. First and foremost there is the promotion of initiatives, programmes and projects on the strengthening of innovative power, added value and competitiveness of the regions. The two other focuses support and accompany this main line of attack. They include the strengthening of the cooperation and use of synergies between regional policy and spatially effective sectoral policies of the Confederation, the development and implementation of an integrated knowledge system on regional development, basic and further training for regional players and the systematic evaluation of effectiveness. The new direction for regional policy should, in accordance with the agenda of the Federal Council,³²⁰ be more in line with spatial planning so as they can together pursue the overall goals of spatial planning policy. The requirements of sustainable development must also be taken into account in the implementation process (→ **Sustainable Development**).

2.5 Foreign policy

Bilateral, multilateral and sectoral foreign policy

Dynamic international environment:

Increasing merging of domestic and foreign policy with increased importance of foreign policy

Bilateral, multilateral and sectoral dimension of international environment

Switzerland will continue to face increasing foreign policy challenges given the constantly changing international environment and the climate of uncertainty (→ **Annex A1**).³²¹ The globalisation of the economy and of society is leading to the interlinking of domestic and foreign policy and to the increased importance of foreign policy (→ **Challenges 2007–2011**) at three basic levels: bilateral (relationship between states), multilateral (international organisations and regulations) and sectoral (economy, security, migration, environment, health, etc.). States will continue to play a major role in international policy, although their influence is moderated by other players such as multilateral organisations, the private sector and civil society and also by sub-state military players and terrorist groupings. However, states cannot be replaced as central structures of law and order in the international system. International organisations and other multilateral institutions or processes will continue to be an essential element of international policy. There are several challenges in individual areas at the sectoral level (→ **Annex A1**). When dealing with these, it is important to bear in mind the interdependencies between the sectors (e.g. economy and security, security and migration, environment and health) and the reactions of states and other players.

Bilateral, multilateral and sectoral foreign policy:

Bilateral foreign policy and new configuration in global politics and the global economy

Multilateral foreign policy for a stable world order

The international arena is undergoing great upheaval at all three levels, bilateral, multilateral and sectoral. In the system of states, power is being redistributed from the West to non-western powers. Both old and new superpowers (China, India, Russia, Brazil, Iran, South Africa, etc.) are gaining in stature and influence regionally and globally.³²² In bilateral foreign policy the great challenge is to be aware of the new configurations of global politics and the global economy, to make good use of every opportunity available and to guard the country from adverse developments. Switzerland must cultivate its relations

with the new Asian superpowers (particularly China and India), other southern powers (e.g. South Africa and Brazil) and strategic buffer states (such as Russia and Turkey). Multilateral foreign policy is of key importance for Switzerland since as a globalisation winner it has a vested interest in there being a world order that is not primarily determined by military power (and/or the possession of weapons of mass destruction), but by international law and healthy competition in a peaceful and fair environment of law and order. Switzerland depends on a viable international system so that it can introduce its “own understandable interests” into international negotiating processes and also when dealing with global problems affecting it. Today’s world order with the UN and its regional organisations as central political bodies, and the Bretton Woods institutions and the WTO as pillars of a multilateral world economic order, corresponds to Switzerland’s interests. Together with likeminded states, Switzerland faces the tough challenge of ensuring that this order does not fall apart, but that it adjusts to the new political and economic realities of the 21st century and continues to be developed so that all states and regions can cooperate on the basis of common values and the principles of law. Sectoral foreign policy is faced with the challenges of coordinating all players and the coherence of the various policies. The wave of globalisation in the second half of the 20th century has not only produced extremely positive effects, but is also increasingly producing adverse effects and threats at regional and global level (→ **Annex A1**). The question arises as to how far a country’s social and ecological bases can become unbalanced and in some cases get into uncontrollable situations as a result of globalisation. There is no guarantee that the path followed in the second half of the 20th century is sustainable, and this is one of the great challenges of the future. Although the solution to these problems can be promoted by national policies, it can only be guaranteed by comprehensive regional and global cooperation (e.g. climate change, protection against new pandemics, preservation of biodiversity) (→ **Sustainable Development**). In general, the importance of coordination is increasing within the states and between the states and the other international players. The coherence of the policies pursued in the overall context should not be neglected. For better or for worse, globalisation is crying out for a blanket policy that takes into account the interests of the whole in addition to the particular interests of individual parties.

On account of its history, its constitution and its political system, Switzerland possesses a number of advantages which enable it to make a difference in foreign policy. It has a good foreign policy image and is held in high regard the world over on account of its explicit refusal to play power politics, its neutrality policy, its non-colonial past, its great role in international humanitarian law and its tradition of good offices. Based on this, Switzerland is in a position to negotiate as a foreign policy player with no hidden agenda and play a constructive role within the international community that goes beyond blocs and alliances. As a result of its highly developed status, its small size and its special political structure (direct democracy, concordance, etc.) Switzerland is well placed to find innovative solutions to the management of sectoral challenges and to introduce them into international discussion. This section will restrict itself to Switzerland’s most important bilateral partners (European policy), the most important multilateral organisations (UN policy) and certain specific foreign policy areas (development and humanitarian policy and the human security policy); most of the sectoral challenges are discussed under the relevant sectoral policies (→ **Economic Policy, Labour Market Policy, Agriculture Policy, Social Policy, Research and Education Policy, Health Policy, Migration Policy, Climate Policy, Transport Policy, Environment Policy, Energy Policy, Spatial Planning Policy, Security Policy, Financial Policy, Constitution and Institutions**).

European policy

Due to Switzerland’s geographical position right in the middle of the EU and the influence of the 27 EU states and nearly 500 million inhabitants surrounding it, Switzerland has a vested interest in continuing to foster close relations with this important partner with whom it not only shares parts of its history, but also its values, cultures and common languages. The interdependence between Switzerland and its European neighbours is clear to see, be it from an economic, political, social, scientific or cultural perspective. In the meantime, this interdependence is reflected in a substantial body of agreements

Sectoral foreign policy and the challenges of globalisation

Increasing importance of coordination and coherence for optimum protection of interests

Switzerland has many advantages and a good image:

Refusal to play power politics, neutrality, non-colonial past, tradition of good offices, player with no hidden agenda and with a constructive role over and above blocs and alliances

European policy 1:

Basis of Swiss European policy is the careful fostering of its close relations with the EU

The tried and tested bilateral path has following require-

ments for success: taking part in decision-making, foreign policy feasibility, general economic conditions
The European policy instruments must therefore be continually monitored and improved

consisting of around 20 primary bilateral agreements and around 100 secondary agreements. Switzerland's policy on Europe is characterised by many common values and interests which it shares with the EU, such as the promotion of human rights, the rule of law or sustainable development. As Switzerland and its European neighbours form a community with a common destiny, it has been committed for a long time to the stability and prosperity of the whole continent. As a solid, reliable partner in Europe, Switzerland does not limit its commitment solely to its bilateral contractual relations with the EU. It also pursues its interests, for example, as a member of the Council of Europe, the European Free Trade Association (EFTA) and the Organization for Security and Cooperation in Europe (OSCE). Switzerland has several European policy instruments at its disposal to regulate its relations with the EU and to pursue its European policy goals:³²³ autonomous harmonisation of Swiss law to Community legislation; implementation and harmonisation of existing agreements; bilateral negotiations on new agreements; customs union; improvement of the institutional framework; bilateral affiliation; membership of the European Economic Area; other forms of multilateral cooperation; differentiated membership; membership of the EU. Thanks to the existing set of agreements and their continuing adjustment to new needs on the one hand, and Switzerland's independent policies on the other, European policy goals can now to a large extent be achieved. Switzerland retains its formal autonomy, i.e. it is not bound legally by EU decisions. At the same time, it is fully aware of the disadvantage that it cannot be part of any decision-making regarding the further development of EU law, which often has an impact on Swiss affairs. In order for Switzerland to be able to continue to achieve its goals on this bilateral, contractual path, the following requirements must be met: firstly, Switzerland must have a certain degree of co-decision-making under its bilateral agreements with the EU and room for manoeuvre in implementing its own policies which both parties consider to be sufficient (*participation in the decision-making process*); secondly, the EU is ready, when shaping its third country policy with Switzerland, to find solutions under bilateral, sectoral agreements (*foreign policy feasibility*); thirdly, the economic framework conditions, in particular in the monetary area, do not change to the detriment of Switzerland (basic *economic conditions*). Switzerland has only a limited say in whether these requirements do actually exist and must therefore continually monitor the situation. If the parameters change, European policy instruments must be adapted accordingly.

European policy 2:

Harmonisation of Swiss law with Community legislation
Further development of the bilateral body of contracts
Significance of the security policy dimension level increases

An important challenge is the harmonisation of Swiss law with Community legislation, mainly for economic reasons to simplify access to the single market. Another reason for harmonisation is to achieve the competitiveness of the Swiss economy, for instance with necessary liberalisations. The greater the portfolio of agreements between Switzerland and the EU, the greater the interest in legal certainty will be. Harmonisation can be achieved by means of a contract or autonomously³²⁴ and requires that the parties' interests are systematically examined. In order to ensure reciprocity, Community legislation should where possible be harmonised by means of a contract and not autonomously. There are several economic areas where production and commercialisation structures must be brought in line with international competition (→ **Economic Policy**). It is not only consumers that are directly affected by the high prices in Switzerland due to reduced purchasing power, but also companies, which could have made savings of up to CHF 65 billion per annum had they been able to buy national or foreign intermediate services at the going EU-price.³²⁵ Lack of competition due to technical trade barriers or the illegality of parallel imports is the reason behind almost half of the price differences. Solutions for reciprocity therefore need to be sought in the interests of the export business. In areas where this is not feasible, Switzerland could in future open up the Swiss market (autonomous harmonisation) to products that can freely circulate in the EU in accordance with the Cassis-de-Dijon principle.³²⁶ Bilateral cooperation involves monitoring the application of this agreement, developing it further and dealing with the usual matters arising from it. It can also include additional negotiations to develop existing agreements in order to ensure participation in specific programmes. Even if relations with Switzerland are not among the EU's foreign policy priorities, there is still significant interest in regulating technical issues arising from the strong economic and cultural bonds. Exploratory talks are already being held in several areas on subjects of common interest to Switzerland and the EU. The matters under discussion are electricity, the Galileo satellite navigation system, protected designations of origin (appellations d'origine contrôlée AOC) and

public health. Finally, as far as agriculture and foods are concerned, Switzerland is examining the desirability and feasibility of a free trade agreement with the EU. Efforts are also being made to work together more closely in the area of security policy. In its 2000 security policy report, Switzerland had already analysed the importance of security cooperation with other countries, particularly with the EU.³²⁷ The EU's foreign security policy has burgeoned since the launching of the European Security and Defence Policy (ESDP)³²⁸ in 1999. Since the beginning of 2003, Switzerland has participated in several civilian and military peace-promoting missions under the ESDP. The obvious way to regulate and simplify the principles of Swiss participation in future civilian and military ESDP operations is to sign an ESDP framework agreement. Cooperation terms should not therefore be renegotiated for each operation with Swiss participation. Another area where the EU has stepped up its cooperation is arms cooperation, in particular since the creation of the European Defence Agency (EDA) 2004. Switzerland is therefore examining the possibility of a tailor-made cooperation with the EDA, which could be based on the model of an agreement without any legal obligations (similar to the administrative agreement between the EDA and Norway) (→ **Security Policy**).

In the short and medium term the EU is set to determine the future agenda of political negotiations according to their priorities and therefore increasingly insist on taking over the existing *acquis communautaire*. Switzerland will now have to gauge how far it can comply with these requirements without having to unduly restrict its autonomy. However, it is a moot point as to whether a yet larger EU can function as well as it did previously. Will the EU in future offer more flexible integration models that do not go as far as actual membership but which constitute more than standard cooperation agreements with third countries? It is just possible that other solutions for the EU in respect of third countries might be feasible in future as either a member state or a traditional third country relationship. This in turn could influence the EU's future attitude to Switzerland. With regard to the management and development of the existing set of agreements, the question arises as to the desirability of a framework agreement between Switzerland and the EU which would cover the entire portfolio of bilateral agreements already concluded. Such an agreement would ensure that existing and future bilateral agreements are incorporated into a more coherent and effective overall plan. The enlargement of the EU by 12 states on 1 May 2004, and on 1 January 2007³²⁹ represents an important step towards more security, stability and prosperity on the European continent for the benefit of all the countries and inhabitants of the whole continent. At the same time this greatest ever EU enlargement poses a huge challenge to the European community of states since there is a historically determined discrepancy in the economic and social standards of living between west and east European states, and this conflicts with equal opportunities and the full development of the wealth-promoting effects of the whole European single market. The EU will therefore spend on average CHF 33 billion per annum between 2007 and 2013 for the development of competitive structures and the creation of improved conditions in the new member states. It is in Switzerland's interests to support these efforts since the enlargement of the EU contributes substantially to political stability in Europe, which in turn benefits Switzerland. The Federal Council and Parliament have therefore decided to contribute the sum of CHF 1 billion over a commitment period of five years towards the reduction of economic and social inequalities in the enlarged EU. The corresponding legal basis to this, the Federal Act on Cooperation with the States of Eastern Europe, was adopted in the referendum vote of 26 November 2006.

This initiative will give Switzerland's European policy one element that is not geared directly to the solution of bilateral issues of common interest but to the support of the European integration process itself. If the EU is to remain capable of action in the future, more transparency, greater accessibility to the public and efficient decision-making structures are necessary. The adoption of the EU Constitutional Treaty that would to a certain extent take account of these challenges has been called in question after negative popular votes in two member states. Even Switzerland cannot entirely remain unaffected by these developments. The continually changing political, economic and social environment requires a dynamic approach in European policy. The situation must be constantly monitored and the instruments adjusted accordingly. It is vital that people are actively drawn into the discussion and play their part in advancing European policy measures. Membership of the EU is still an option although going it alone is out of the question.

European policy 3:
Possibility of new type of relationship with the EU?
Importance of EU enlargement and Swiss contribution
Dynamic European policy:
membership of EU is an option but going solo is not

UN policy

UN policy:

Under specific reforms the UN should be maintained as a strong, central international organisation

Intelligent use of room for manoeuvre to preserve our interests

Since becoming a member of the UN in 2002, Switzerland has used its new room for manoeuvre in the UN to safeguard its interests and promote its foreign policy goals.³³⁰ Switzerland has a vested interest in a universal, peaceful and liberal world order established by international law. The UN is uniquely legitimised and is the most important global forum in which states can negotiate common problems without any restrictions on the topic. Switzerland therefore has an interest in continuing to fight for reforms that strengthen the organisation, focus their work more clearly on the needs of member states and ensure an efficient use of resources. Linked to the management reforms in the secretariat are reforms to the UN operational system in the areas of development, humanitarian aid and environment, adjustments in the agenda and modus operandi of the central bodies (General Assembly, Economic and Social Council, Security Council) together with efforts to optimise UN peace operations. Various challenges must therefore be taken into account. The UN must bring the fragile balance between its “democratic” legitimacy (“one state, one vote” at the UN General Assembly) and its recognition of real power and responsibility discrepancies (as seen in the permanent membership on the Security Council) in line with the new balance of power between the states. Depending on how the situation develops, there is a danger that the UN will forfeit its legitimacy, its universality or its relevance. The UN is faced with a similar challenge in the social and economic area: if it is not possible to meet the legitimate demands of emerging economic powers for greater influence in a way that is in keeping with the coherence of the whole system, there is a danger that the system will fragment – to the detriment of all.³³¹ The consequence would be a weakening of the multilateral framework and a devolvement onto regional organisations (e.g. EU or OECD) or ad-hoc alliances (e.g. G8). Finally, it is also important for Switzerland to ensure that the commitment of member states to the operational dimension of the UN is not linked long-term with a weakening of the UN’s role as a forum for negotiations and the further development of international law, which requires a great willingness on the part of states to find some sort of compromise. As a fully paid up member of the UN, Switzerland has shown itself to be a player that is committed to and campaigning constructively for multilateralism and the search for specific compromise solutions. Owing to its independence depending on the area involved, Switzerland can constitute alliances above and beyond existing positions. For example, it can contribute towards the softening of old-fashioned negotiating blocks to obtain better results. Commitment to greater transparency and objectivity of the work of the UN bodies, as was the case with the proposals for the reform of the Security Council, helps to strengthen the basis of trust among the UN member states, which is vital for the smooth running of the UN. Switzerland is also working towards the better integration of non-state players so that not only their knowledge but also their identity-forging strengths is incorporated into the world order shaped and represented by the UN. Ongoing UN reforms also show, however, that a state the size of Switzerland that neither belongs to an important grouping nor to a large alliance has considerable room for manoeuvre in the creative phase of a multilateral process but that its influence falls drastically in the final phase when the main players dictate the way the negotiations are to go. Switzerland is therefore faced with the daunting challenge of gaining influence in changing constellations in order to initiate processes and develop ideas that can survive the final phase as well. The election in the spring of 2006 to the newly created (following a Swiss initiative) human rights council and the imminent inclusion in the rotation scheme that governs membership of the Economic and Social Council also show that such successes can only be achieved through major political effort. This is because no state is prepared today to cede its place to Switzerland at the expense of its own interests and goals in the UN. Even international Geneva as the second headquarters of the UN and as a major location for international organisations feels exposed to strong competition. The setting of topical priorities (disarmament; humanitarian law and human rights; health; employment, economy and science, sustainable development and protection of natural resources) and the planned new Headquarters State Act should help Switzerland maintain and consolidate international Geneva as a particularly valuable and visual example of foreign policy.

Development policy

Poverty and inequality³³² remain the key problems in north-south relations.³³³ They are the cause of many global risks and endanger peace and security within and among states. As a consequence of globalisation, the agenda for development policy has broadened considerably in recent years. Harmonisation with the agricultural, foreign, financial, research and innovation, trade, human rights, migration, security, environment and economic policies is becoming pressing (→ **Agriculture, Foreign, Financial, Research and Innovation, Trade, Human Rights, Migration, Security, Environment and Economic policies**). Countries and regions that integrate successfully in global or regional added value chains, use large markets, have the advantage of a specialisation and learn from technological innovation processes can benefit from economic globalisation.³³⁴ OECD countries are up against emerging economic regional powers and regional powers with strong political negotiation skills (China, India, South Africa, Brazil and others) and developing countries that are marginalised³³⁵ from the world economy and often politically unstable.³³⁶ At the Millennium+5 Summit in 2005 international policy priorities were established in three fields of action: development (millennium development goals), security (development-promoting security policy) and human rights (compliance with minimum standards). The Millennium Development Goals are considered to be the benchmarks of a world social order based on human rights and environmental concerns. Specific provisions allow a performance review up to 2015. Development cooperation should encourage individual efforts to solve national problems. A country's location, its size and governance and basic political decisions are the key factors that determine its development.³³⁷ External conditions³³⁸ such as multilateral political regulations, the political decisions of other countries and strategies of market participants have an impact on development prospects. The adequate provision of global public commodities that have been created fairly (such as multilateral trading systems, international financial stability, etc.) and coherence in the political goals of OECD countries with global development play an important role. Developing countries should be given more support so that they can play an active role in the global governance system. This especially holds true for those forums that are particularly important for the development prospects of poor countries. At global level, that forum is the WTO. At interregional level, in Europe it is the European Partnership Agreement; in America it is the free trade agreements between Canada and the USA, and between the Andean countries and the USA; in Asia, it is the regional and bilateral free trade agreements between India and the ASEAN countries (→ **Economic Policy, Agriculture Policy**).

Development policy 1:

Poverty and inequality remain major problems

Globalisation creates different perspectives

The Millennium+5 Summit identified three key areas of negotiation

Development-promoting rules of negotiation and world market integration are important factors of success

Switzerland has been a member of the BWI, the Bretton Woods Institutions (IMF and the World Bank), since 1992 and was one of the founding members in 1991 of the European Bank for Reconstruction and Development (EBRD). It heads a constituency in all three institutions. As chair of its constituency, and hence holder of one of the 24 or 23 seats of the executive board of the BWI and EBRD, respectively, Switzerland has a sufficiently high profile in the major international financial institutions to be able to play a leading role in dealing with global financial structures and development policy issues (→ **Foreign Policy**). Its membership of the development committee gives it the opportunity to include its development policy concerns in the global agenda. Switzerland has been particularly active in environmental policy and social issues. It played a crucial role in bringing the whole area of human rights into the debate within the Bretton Woods Institutions and by driving it forward. It draws special attention to the interdependence between the compliance with human rights and sustainable development. Switzerland is also very actively involved in efforts to combat corruption and money laundering. It intends to extend its hard won expertise on the above subjects in order to make a fitting and effective contribution to the shaping of the policy of the financial institutions. Switzerland is particularly keen to continue playing its prominent role on the various committees of the international financial institutions and will pull out all the stops in future discussions about the quotas and composition of the Executive Board to defend its seat on the Board.

Development policy 2:

Development policy as an integral part of Swiss foreign policy

Development policy is an investment in a sustainable global future and should therefore be seen as a long-term policy of interest by Switzerland, too. In the medium term the development policy challenges lie in three main areas. The first is to reduce poverty, which should be in line with the UN's internationally agreed goals (millennium development

Development policy agenda with three strategic priorities
It is crucial to include the political environment as well as the social and economic environment

Combination of bilateral and multilateral cooperation is indispensable

Multilateral coordination and cooperation are becoming more important

Guaranteeing funding

goals) and the obligations from the Monterrey Consensus. Switzerland's development cooperation through its bilateral, multilateral and humanitarian instruments for the reduction of poverty can help the development potential of poor countries and cooperative partnerships in development regions. The second priority is the management of systemic security risks. Among these are the risks recognisable today such as local or regional crises; threats relating to climate change,³³⁹ uncontrolled migration due to a lack of development. For weak states and states on the point of collapse, development policy should increasingly act as a stabilising factor. The third priority is to help shape a development-promoting globalisation. Development policy should promote the economic and social development of poor countries and take account of their various development prospects. It can however only fulfil these expanded tasks if it is coordinated with the agricultural, financial, research and innovation, trade, human rights, migration, security and environment policy (→ **Agriculture, Financial, Research and Innovation, Trade, Human Rights, Migration, Security and Environment Policies**). In Switzerland there are four areas that require action with regard to coherence for development:³⁴⁰ firstly, to improve coherence between national and international development policy; secondly, additional efforts are needed to finance development; thirdly, the effectiveness of development aid should be increased and, fourthly, improvements with regard to governance and democratisation are desirable. As a member of major multilateral institutions³⁴¹ Switzerland includes its interests in international negotiations and benefits from the wealth of experience of international organisations (UN, international financial institutions, global networks, OECD Development Committee). Multilateral cooperation comprises the financing of large poverty reduction programmes and debt relief of heavily indebted poor countries (HICPs). In 2005 several states and in particular the EU adopted plans in stages³⁴² to increase public development aid – bilateral or multilateral. Against the background of a continuing tight federal budget (→ **Financial Policy**) Switzerland is required, under international burden sharing, to make a commensurate contribution³⁴³ to the attainment of the development goals agreed. Another challenge remains in future to activate more private resources in Switzerland and fiscal funds in partner countries.³⁴⁴

Human rights policy and humanitarian policy

Human rights policy and humanitarian policy:

Human rights are continuing to gain importance on an international level

Strengthening of multilateral structures for the implementation of human rights and humanitarian law

Assistance with implementing human rights standards and creation of structures which comply with human rights standards

Major topics:

Abolition of death penalty, elimination of torture.

New challenges: transitional justice, economy and human rights, rights of ownership as human rights

As depositary state and high contracting party of the Geneva Conventions, Switzerland has particular legitimacy to take humanitarian initiatives

Close collaboration with the International Criminal Court

The promotion and protection of human rights and humanitarian international law will continue to be one of the main challenges of Swiss foreign policy for years to come.³⁴⁵ Despite the increasing number of human rights agreements and of countries having ratified these agreements, there is still a large gap when it comes to the implementation of human rights standards. It should be borne in mind that women often do not have the same requirements and options as men to be able to assert their human rights. Another major challenge consists in protecting the civilian population in armed conflicts, in particular vulnerable groups such as women, children, displaced persons and refugees from violence and arbitrary conduct and increasing their security. Most conflicts are now perpetrated inside a country by various regular and irregular parties to the conflict and often claim the most victims particularly among the civilian population. The range of human rights violations has tended to increase in recent years and no reversal of the trend is at present foreseeable. Switzerland will in future be involved in the continuing development of international law and international standards as well as in consolidating multilateral institutions with a view to implementation. In previous decades international instruments were mainly geared to censuring serious violations of rights by state authorities. These censures have not become obsolete but the emphasis has shifted to providing assistance in the creation of state structures that comply with human rights. Experience shows that reactive measures are very often insufficient and need to be backed up by constructive supporting measures.³⁴⁶ Such measures particularly lend themselves to countries that are aware of their human rights problems and are willing to make the necessary reforms. With regard to individual human rights standards, abolishing the death penalty and eliminating torture are still at the top of the agenda. In order to successfully take up today's human rights policy challenges, Switzerland depends on sound partnerships with the major international, government and non-governmental organisations, particularly UN bodies. The new UN human rights council created in response to an initiative by Switzerland plays a central role in this regard. Basic human rights (abolition of the death penalty, elimination of

torture) still head the list, followed by a ban on discrimination (equal rights for men and women, minority rights and protection from racism). Current human rights policy challenges are human rights protection when combating terrorism and the fight against human trafficking. Human rights policy also provides more incentives for other policy areas such as development policy (the “right to water”), economic policy (“economy and human rights”, “rights of ownership as human rights”) (→ **Annex A 1**). A constant challenge is the protection of the civilian population and in particular vulnerable groups such as women, children, displaced persons and refugees from violence, and arbitrary conduct in armed conflicts. Switzerland’s humanitarian tradition and its dual position as depositary state and high contracting party of the Geneva Conventions and their additional protocols gives our country a particular authority and legitimacy for its activities to promote international humanitarian law and compliance with this law by the parties engaged in armed conflict.³⁴⁷ Efforts must be made to maintain this positive profile. Through close cooperation with the war criminal tribunals for former Yugoslavia, Rwanda, Cambodia, and the International Criminal Court in The Hague, Switzerland can help to bring hardened war criminals to trial and contribute to reconciliation, thereby promoting peace.

Peace policy

Peace policy and civilian peace building are central elements in Swiss foreign policy.³⁴⁸ These can be backed up by selected contributions to military peace building. The number of wars, direct war victims, victims of genocide and most serious human rights violations has dropped since the end of the Cold War.³⁴⁹ This is due to successful international peace building. At the same time the number of civilian victims has risen and conflicts and their aftermath have not so much become fewer than have changed location. Traditional wars between two armies are now the exception. Most of all violent conflicts are within a country itself and in many places alongside regular armies, there are non-governmental players involved, in some cases supported by other countries. Even if conflicts are local or regional, the impact is felt far beyond the specific situation. Refugee flows, economic crises, commodities prices, stock market levels, flight connections are no more respecters of country borders than are terrorist attacks. If we are to protect security and wealth, we now require a more active policy than previously. Prevention and the settlement of conflicts by active involvement on the ground are the best way of not being affected or being affected only to a limited extent. With a clearly defined peace policy commitment, Switzerland can make a useful contribution to solving global problems, strengthen its position in international negotiations and serve its own interests by contributing to a more peaceful and safer world. As far as peace policy issues are concerned, the UN and other international and regional organisations play a major role. And Switzerland can strengthen their impact by making specific contributions to global peace policy (such as in the fight against anti-personnel mines, illegal small arms, and the recruitment of child soldiers) and by taking part in multilateral peace operations (by sending troop units and highly qualified civilian experts from the Swiss experts pool for civilian peace building). By means of its good offices, mediation and programmes for civilians on how to deal with conflict situations, Switzerland can offer bilateral commitment to preventing violence, settling conflicts and consolidating peace. Systematic priority programmes spanning several years in conflict regions make it possible to gain the confidence of the parties to the conflict, an essential requirement for successful mediation. In the light of this, the Federal Council has defined goals and fields of action³⁵⁰ as well as geographical and subject-based priorities,³⁵¹ which it intends to use to orient itself in the future. Parliament has created the instruments required with the Federal Act on Measures for Civilian Peace Building and the Consolidation of Human Rights³⁵² and authorised the necessary resources using framework credits so that Switzerland can continue to operate an active peace and human rights policy. Switzerland is faced with the challenge of developing its efficient instruments further and using them in a flexible and coordinated way. This includes both specialised skills on relevant topics (such as mediation, constitutional issues, reform of the armed forces, police management, religion and conflict, the role of armed non-governmental groups, the role of the economy, coming to terms with past events, gender issues) and institutionalised partnerships to international organisations, like-minded states and partners from non-governmental organisations and academic institutions. In its peace-

Peace policy:

Peace policy commitment and conflict prevention as key elements in Swiss foreign policy

Building up mutual trust is a precondition for making an effective contribution to conflict prevention

Exploiting Switzerland’s comparative advantages

Acceptance of cultural diversity and intercultural dialogue are important in preventing conflicts

Coordination between the different instruments is important

building activities, Switzerland takes account of the fact that men and women are affected in different ways by armed conflicts and uses the different roles and capabilities of both sexes to implement its peace-building measures. It consistently applies the UN Security Council's resolution on women, peace and security (UN Security Council Resolution 1325). In addition, the acceptance of the cultural diversity of today's world and the inter-cultural dialogue are important factors in building up trust and preventing conflicts. Understanding can only come about with a broad discussion on shared cultural and religious values. The stated aim of the Confederation's cultural policy abroad is to contribute to the globalisation of comprehensive human rights and democratic values. Switzerland is working tirelessly under the UNESCO Convention on Cultural Diversity to promote media diversity and strengthen civilian society organisations. The success of the Swiss peace policy will depend on the flexible application of all instruments, their harmonisation with development cooperation instruments and humanitarian aid (→ **Development Policy**), military peace promotion (→ **Security Policy**), trade and investment promotion (→ **Economic Policy**) and on harmonisation with bilateral and multilateral foreign policy (→ **UN Policy**).³⁵³

2.6 Security Policy

International Security Policy and Cooperation:

The main threats in this day and age are terrorism, weapons of mass destruction and the consequences of regional conflicts

Switzerland is in a similar situation to that of other states in Central and Western Europe

Security is currently understood to be a joint (national and international) task, also in Switzerland

Nowadays it is almost impossible to draw a distinction between the preservation of internal and external security. Hazards and risks are increasingly transcending national borders. Instability and conflicts, even in faraway regions, can have a direct and immediate impact on Switzerland's internal security. The three main sources of threat to Switzerland are international terrorism, the proliferation of weapons of mass destruction (in the worst case to terrorist organisations), and the transboundary effects of regional conflicts and failed states (bases for terrorist organisations, flow of refugees, etc.). A conventional military attack on Switzerland, however, is unlikely in the foreseeable future. At national level, security and freedom are also at risk due to violent extremism, prohibited political and military espionage, trade in proliferation goods and the various forms of organised crime such as human trafficking or drug trafficking. In terms of internal and external security, Switzerland is in a similar situation to that of other states in Central and Western Europe; the dividing line between internal and external security everywhere is becoming ever more blurred. This requires greater cooperation and coordination of resources, as becomes evident in the later section on internal security. Europe has responded to the changes in the nature of threats: the traditional approach to defence in international conflicts has become less important, which has led to the decrease and the reorganisation of the armed forces trained for territorial defence. The armed forces of many European countries have been restructured to be deployed in peace support operations. The notion of security has become broader and more complex, and ensuring security is considered to be a joint (national and international, civilian and military) task. The result of this at international level is greater and closer cooperation. Switzerland is basically moving in this direction, even though its non-membership of NATO and of the EU, its neutrality, its militia system, federalism and direct democracy mean that it has adapted less drastically and quickly than most other European countries (→ **Foreign Policy, Constitution and Institutions**). The Security Policy Report 2000 contains the related conceptual principles, which have been continuously reviewed in the framework of the reforms of the armed forces. It was observed during the reviews that the framework conditions and requirements had not undergone fundamental changes, but had at most been gradually modified. The 08/11 development phase aims to adapt the armed forces to the developments described above, and to increasingly prepare them for specific missions focused on contributing towards security in a broader and more integrated sense. The continued development of the armed forces in the long-term will also need to be adapted to this trend.

Foreign partners are also indirectly affiliated to the integrated system of internal security. International cooperation between police forces and intelligence services is of crucial importance when dealing with large-scale transboundary events, as was seen with operations for the security of the WEF meetings or the G8 summit in Evian. The Federal Council therefore wants the Federal Department of Justice and Police to optimise international

cooperation, prevention and internal structures, with a focus on consolidating international cooperation as well as adopting legislative provisions at national level. In addition, cooperation with the cantons should be strengthened.

“Security through cooperation” is still the applicable maxim for Switzerland, whereby neutrality is not an obstacle to strengthening international cooperation in defence. As a supplement to tried and tested bilateral cooperation, Switzerland has various partners: On a global level, the UN is and remains the central security policy organisation; its activities and its authority are recognised worldwide, and it is the only organisation that can legitimise collective coercive measures based on international law. Within the UN context, Switzerland will continue to lobby for the primary concerns of its foreign policy (international law is at the top of the agenda) and to contribute to the promotion of stability and security under the aegis of the UN (→ **Foreign Policy**). At regional level, the EU, NATO and the OSCE are the three main partner organisations for Switzerland in terms of security policy cooperation. Switzerland shares the most points of contact on security policy with the EU due to the fact that the EU’s security policy approach (threat analysis, global notion of security, primacy of prevention, etc.) overlaps to a large extent with that of Switzerland. The EU has developed cooperation within the framework of the European Security and Defence Policy (ESDP) and enhanced its security policy profile. Switzerland is currently cooperating with the EU selectively on an ad-hoc basis on matters relating to security policy (peace support operations, police cooperation, etc.). In view of the joint interests and needs in terms of security, this cooperation is expected to intensify in the coming years. Cooperation between Switzerland and NATO within the Partnership for Peace (PfP) and the Euro-Atlantic Partnership Council (EAPC) is particularly important from a military point of view; NATO’s norms and standards have become established as the basis for military cooperation in Europe. Switzerland can improve its ability to cooperate internationally through the PfP, which is essential for participating in peace support operations, international humanitarian missions or transboundary support missions. Set against this background, cooperation within the PfP will continue to be a useful instrument for the modernisation of the armed forces. In addition to the military interest, participation in the PfP/EAPC also provides an important forum for the exchange of know-how and information on various topics relevant to security policy (e.g. the fight against terrorism, civil emergency planning, and protection of critical infrastructure). Over the last few years, the OSCE has steadily lost ground as a global transatlantic security organisation; in comparison with the EU and NATO, the OSCE has very few resources and few long-term perspectives and has accordingly concentrated on niche areas (border protection missions, election observation missions, etc.). As a member state of the OSCE, Switzerland will remain active and continue to contribute to the promotion of regional stability and security. In general, international cooperation in security policy matters has gained momentum over the past few years. This applies in particular to the European environment where the EU has newly positioned itself as a player in security policy matters. Switzerland is first and foremost faced with the challenge of finding possible ways to collaborate with this partner with whom it shares numerous security policy concerns in areas that are crucial for Switzerland’s security. Although the bilateral path also provides options (as shown by the current state of cooperation), further bilateral cooperation depends on the readiness of the EU to find bilateral solutions with Switzerland. The priority concerns for Switzerland will be the fight against international terrorism, the protection of critical infrastructure and armament cooperation, in addition to (military and civilian) international peace support operations, which are of crucial importance. The number of these operations is expected to continue to increase, which should also strengthen the interest of the international partners in Swiss participation. The PfP also provides Switzerland with a useful instrument to create and improve the necessary requirements (interoperability) for military collaboration, regardless whether the missions are led by NATO, the EU or the UN.

Efforts towards arms control, disarmament and non-proliferation are very important for security in Switzerland. The qualitative and quantitative arms race ties up material and financial resources that could otherwise be deployed elsewhere. Conflicts are aggravated and entire regions destabilised. In addition the possibility of terrorist groups acquiring weapons of mass destruction or related technologies constitutes a new threat. Efforts to

“Security through cooperation”

remains the applicable maxim for Switzerland
Switzerland has various partners in international cooperation; the most important being the UN, the EU and NATO
Cooperation with the EU is increasing in importance; this is where bilateral solutions need to be found

Disarmament policy and arms control:

Disarmament and arms control policy is a matter that many countries

including Switzerland continue to take very seriously. The objective is still to maintain the lowest possible and bindingly agreed armament stocks

limit or reduce arsenals, to prohibit entire categories of weapons and to create greater confidence and security therefore continue to pose a special challenge. Swiss policy in arms control, disarmament, and non-proliferation seeks to contribute to international security and stability with the lowest possible level of armament.³⁵⁴ As an instrument, universal arms control and disarmament regimes that are verifiable and binding under international law stand to the fore.³⁵⁵ Another priority is the active participation in the export control regimes that are not binding under international law and in the implementation of the decisions made. Policies are furthermore aimed at providing optimal support in the implementation and universalisation of existing agreements (primarily in the field of weapons of mass destruction). With regard to conventional weapons, Switzerland has been heavily involved in the creation of a UN instrument allowing the rapid and reliable identification and traceability of illegal small arms and will therefore also be involved in the credible implementation of this instrument. Under the framework of the 1980 Convention on Certain Conventional Weapons, Switzerland is continuing to champion technical preventive measures, with the aim of improving the reliability of submunitions and of adopting an international regulation. Within the European environment, Switzerland generally supports stable and balanced military strengths, while in the coming years it will in particular be obliged to define its position towards the Treaty on Conventional Armed Forces in Europe (CFE) – (provided that the current international blockade is lifted and the adapted treaty of 1999 is ratified).

New threats to domestic security

Crime phenomena have become more diffuse and complex and international crime has increased. These new threats have a direct effect on domestic security. Set against this background, the fight against crime requires a broader and more international orientation than in the past.

Terrorist threat

Fight against small cells and microfinance

Up until the bombings in Madrid in 2004 and the suicide bombings in London in 2005, Europe was regarded by most violent Islamists primarily as a safe harbour and as a logistics base for planning terrorist attacks. Switzerland is directly affected by the transformation of Western Europe into a theatre of Islamist terror operations. The same holds true for the new approach, whereby terrorists no longer operate only from abroad, but also operate behind the scenes locally to stage unexpected attacks. There are also a growing number of small cells who have no or little contact on an organisational level with the actual terrorist organisations. With regard to financing, a trend towards microfinance operations has been observed, allowing small networks to self-finance themselves through criminal activity and to avoid preventive and administrative defensive measures. Switzerland is committed to continuing to prevent financial and logistic support being given to terrorist groups, the spread of propaganda as well as any possible preparation and execution of terrorist acts,³⁵⁶ and is cooperating closely with many states and international organisations towards this goal. This problem area will remain a serious concern for Switzerland in the coming years.

Fight against violent extremism and hooliganism

Violent extremist groups are another phenomenon seen in Switzerland. They are currently very fragmented and do not share a common ideology or common basis. The conflict between left-wing and right-wing extremists has become increasingly intense. The partially foreseeable escalations of violence require extensive police intervention. Foreign extremist groups exploit the relatively large constitutionally protected room for manoeuvre. Fund raisers and publicity campaigns are generally only met with limited interest in Switzerland. For the time being, none of these extremist groups pose a threat to Switzerland's domestic security. A major problem that can only be resolved by the concerted efforts of the federal government and the cantons is the limited manpower of cantonal police forces in relation to the increasing volume of tasks and the continuously increasing demands. This problem could become more pronounced in the future.

EURO 2008:

Major event for the authorities in charge of dealing with security issues

The UEFA European football championships, Euro 2008, will be a major event for the federal and cantonal authorities in charge of dealing with security issues.³⁵⁷ The security standards for this third largest sports event in the world need to be coordinated with our Austrian partners.³⁵⁸ Amendments have been made to legislation in Switzerland to fight hooliganism, which is only one of the problems that needs to be considered in the overall security policy.³⁵⁹ In addition, trafficking in human beings and protection against other crime phenomena, violent extremism and terrorism represent a pivotal task.

The crime of money laundering is still an important issue for Switzerland in terms of criminal proceedings in general and international mutual assistance in particular, especially when it is linked with drug-related and white collar crime. Switzerland's financial centre will continue to be subject to regulatory pressure due to certain international developments as well as the forty recommendations of the Financial Action Task Force and the third EU directive on money laundering. Switzerland needs to have an effective strategy for combating money laundering that broadly conforms to the applicable international standards.³⁶⁰ We need to assume that Switzerland will also be faced with money laundering and investments using criminal money from various countries of origin. Criminal groups have gained influence in many of these countries. In Switzerland, they have well-organised networks, which sometimes have contacts with the business world, authorities and intelligence services from their countries operating in Switzerland. Generally speaking, criminal organisations represent a threat to the economy, to the constitutional institutions and to Switzerland's financial centre that should not be underestimated.³⁶¹ Developments worldwide and in Switzerland suggest an increase in human trafficking from South Eastern and Eastern Europe and from Asia. Evidence of this is the growth of the sex industry, where in Switzerland, human trafficking continues to be one of the most important activities. At present, it is not yet possible to assess the extent to which the association to Schengen and Dublin will help remedy this problem.

The critical infrastructure requiring protection in Switzerland includes the public authorities, emergency and rescue services, telecommunications, energy and water supply, finance, industry, healthcare as well as transport and logistics. All these sectors are of great importance to Switzerland's economic and social well-being.³⁶² With the privatisations of the 1980s and the 1990s, the state partially opened the infrastructure sector to competition. At the same time, the "digital revolution" made these infrastructures increasingly dependant on information and communications technologies (ICT). ICTs are inherently insecure and protecting them poses new challenges. In addition to targeted attacks and manipulations, ICTs are also vulnerable to physical influences such as power failures, natural disasters, malfunctions, technical failures, etc. It is possible to remotely attack, manipulate or disable ICT systems even with modest means. The perpetrators involved in ICT system attacks include on the one hand foreign intelligence services engaged in espionage and sabotage of military know-how and facilities, or seeking to construct and acquire weapons of mass destruction. Although monitoring potential adversaries, i.e. nation states, was relatively straight forward up to now, it is now far more difficult to identify current asymmetric threats in the form of terrorist attacks. There are also individuals and extremist groups who for a number of various reasons try to break the security mechanisms of ICT systems and use the systems for their own ends. ICT-dependent sectors therefore have to be protected against vague threats as well as blackouts, malfunctions and natural disasters. Given that a complete prevention of incidents is utopian, states have set the realistic goal of limiting any possible attacks, so that incidents are "only" of short duration, rare, controllable, geographically isolated and if possible have no impact on the economy and security.³⁶³ It is therefore important to create an early warning system, which requires a comprehensive and international exchange of information between the numerous actors involved. Although this requires a longer preparation phase in the event of an attack, an efficient early warning system also has a deterrent effect. Since its creation in 2005, the Reporting and Analysis Centre, MELANI, provides a central agency for the protection of information infrastructure.³⁶⁴ MELANI works in close cooperation with private sector operators of critical information infrastructure to manage an information exchange platform, to promote prevention, to alert the Special Staff for Information Assurance (SONIA) in the event of a crisis and to closely cooperate with the prosecution authorities, in particular the Coordination Unit for Cybercrime Control (CYCOS), which has been operational since 2003.³⁶⁵ Since 2004, the ICT infrastructure sector subordinate to the Office for National Economic Supply has assumed the responsibility for establishing and monitoring sector-specific risk analyses. In these analyses, the ICT together with the private sector defines the shortcomings, risks and measures of sectors including telecommunications, hardware and software, finance, energy (electricity), transport, healthcare, etc. On the basis of these analyses, these sectors established and are establishing Business Continuity Management.

Organised and white collar crime:
Money laundering
Criminal organisations from CIS states
Human trafficking from South Eastern and Eastern Europe
Human smuggling from the Far East

Vulnerability of the information society:
An asymmetrical threat
Switzerland has adequate early-warning systems

The following challenges will remain the same for the coming years: first and foremost, it is necessary to develop cooperation with the operators of critical information infrastructure in public-private partnerships and to strengthen international coordination. There are no international standards for prosecution as yet because the Council of Europe's "Cyber-crime Convention"³⁶⁶ has not yet been ratified by the majority of states. Switzerland was one of the first countries to sign the Convention, but its ratification has not yet taken place. The option of preventive monitoring of ICTs for the protection of domestic security of states raises the question of protecting privacy in the age of digital information.

Coordination and cooperation in Switzerland

Switzerland's federal structure requires a high level of coordination between the federal government and the cantons, on the one hand, and between the cantons themselves, on the other (→ **Constitution and Institutions**). Alongside the measures already introduced to standardise criminal procedural law,³⁶⁷ to organise police training at regional level,³⁶⁸ to create a national police index³⁶⁹ and to implement a uniform and comprehensive digital radio system (Polycom), it will be necessary to find solutions in the context of security cooperation between the federal authorities and the cantons to ensure the police capacities required for inter-cantonal operations as well as the optimisation and (trans-European) coordination of border control mechanisms. The Security Policy 2000 Report posits security through cooperation. This objective has been achieved to a large extent with the Coordinated Civil Protection System. For the coming years until 2011, it is planned to expand and complete measures under the heading of National Security Cooperation (NSC), with a particular focus on drawing up the NSC system. This includes defining organisational structure and processes, regulating civil and military cooperation, ensuring national interoperability among partners in the field of security policy as well as developing and amending the legal foundations, with the aim of establishing a risk and vulnerability analysis for Switzerland. The protection of critical infrastructure needs to be coordinated and the coordination among leaders at federal level and coordination between the federal and cantonal authorities in the event of disasters and emergency situations needs to be fine tuned. The management bodies (emergency task forces) in the cantons require regular training and practice on the basis of current scenarios.

International police - cooperation:

The three pillars of cooperation

Expansion of the international network of agreements in the field of criminal justice

Switzerland's international police cooperation is based on three pillars: multilateral international cooperation through Interpol, regional cooperation within Europe through the affiliation to the Schengen and Europol agreements as well as bilateral cooperation, in particular with Switzerland's neighbours and through the network of Swiss police attachés. The needs and possibilities in terms of cooperation must be clarified and applied if necessary for each of the three pillars. At international level, the exchange of criminal police intelligence and cross-border support of police operations within the framework of Interpol will continue to gain importance. The new Schengen information systems will provide Switzerland with new sources of data and information, which will bring added value to police work, but will also pose a challenge due to the increase in volume of information. Switzerland needs to participate in the development of these systems and if necessary to apply and implement them at a domestic level. Priorities at a bilateral level are the implementation and optimisation of the negotiated agreements on police cooperation as well as the expansion of the network of police attachés. In addition the Federal Council has decided to begin talks with Eurojust toward the conclusion of a cooperation agreement. Eurojust is an independent body of the EU which has the aim of improving judicial cooperation in the fight against serious crime, often committed by international criminal associations. Efficient cooperation with foreign prosecuting authorities, which is decisive in the fight against organised crime, white collar crime and terrorism, has been steadily gaining importance for years, due to the fact that individual nations are less and less capable of meeting the challenges of effective crime prevention. The ongoing development of the network of international agreements in the field of judicial cooperation in criminal matters should counteract this potential loss of security.

2.7 Financial policy and the budget

Maintaining the Confederation's scope of action in terms of financial policy:

The ability of the Swiss federal state to operate is closely linked to the latitude available to the Confederation in its financial policy, as around 40% of transfer payments or roughly CHF 15 billion is accorded to the cantons, which amounts to just a quarter of total

cantonal revenue. The Confederation's scope for action dropped substantially in the 1990s. Stagnating economic growth and the above average increase in spending led to high deficits and a fast rising debt. The Confederation's level of spending rose from 9.7% in 1990 to 11.5% in 2005. The debt ratio more than doubled over the same period of time with an increase of 11.8 percentage points to 28.6%. With the application for the first time of the debt brake in 2003, a basis was created to ensure a sustainable balanced federal budget. The debt brake comprises a mechanism enshrined in the Federal Constitution that links spending to the revenues corrected by one cyclical factor. This prevents there being any structural deficits in the future, as these have contributed greatly in the past to an increase in federal debt. Thanks to the consistent implementation of two relief programmes (EP 03 and EP 04) and the federal administration's task reduction plan, the budget, with full effect from 2008, will be reduced annually by around CHF 5 billion.³⁷⁰ These measures have led to a situation where the federal budget will be structurally balanced as of 2007 and the requirements of the debt brake, although they are only binding for the draft budget, will probably be exceeded in the financial years 2008 to 2010. The aim of stabilising the level of spending will be achieved, with the exception of the additional costs incurred due to the value added tax increase for invalidity insurance. The level of debt in 2010 is expected to be more than three percentage points below the level of 2005.³⁷¹ Similar developments have been apparent to a lesser extent in the cantons and communes. Thus the level of spending of public budgets and social insurances increased between 1990 and 2005 by more than one fifth to 36.4%. Even the fiscal quota in 2005 was at 30% well above the 1990 level (26%).³⁷² By international comparison Switzerland still has a moderate overall tax burden³⁷³ and low level of public spending.³⁷⁴ However, public debt has increased drastically.³⁷⁵ The debt ratio rose from 29.9% in 1990 to 51.7% in 2005. Subsequently, Switzerland has largely lost its advantage over countries in the European Union.³⁷⁶

A structurally balanced budget and the maintenance of a moderate (in international comparison) level of public spending and taxation are important requirements for a sustainable financial policy

The structural equalisation of the federal budget is in no way guaranteed long term. In order to stabilise federal finances in a sustainable fashion, the pattern of high spending must continue to be braked. This requires structural reforms across all federal functions. In some cases such reforms have already been decided and are in the process of being implemented – army reform, restructuring of agricultural policy and railway reform, to name a few (→ **Security Policy, Agriculture Policy, Transport Policy**) where critical voices claim that even in these areas further reform measures that take the pressure off the budget are necessary.

Braking the spending pattern:

Structural equalisation of federal budget not guaranteed in the long term
Structural reforms necessary across the spectrum of federal tasks

Increases in efficiency are expected from the new system of financial equalisation and the allocation of tasks between the Confederation and the cantons by creating integrated responsibilities in many tax areas (identity of those responsible for costs, benefits and decision-making), which eliminate the disincentives of the present system and put the cantons in a position to use resources to better respond to the needs of the regional population (→ **Constitution and Institutions**). In the area of shared tasks not affected by this decentralisation, an attempt is being made to achieve a better use of federal funds with new cooperative and impact-oriented forms of cooperation between the Confederation and the cantons, known as the programme agreements. The new organisation of financial equalisation should ensure that the financial consequences for the Confederation and the cantons remain strictly budget-neutral and that on balance there is no shift of burdens between the Confederation and the cantons. With the implementation of the NFE, probably from 2008, it is initially expected that there will be an additional financial burden for the foreseeable future. This is largely due to unavoidable hardship compensation proposed on the grounds of its acceptability, which should fall in time due to its temporary nature. According to the model estimates, the end result is expected to show an increase in the burden totalling CHF 420 million per year, entailing around CHF 280 million per year for the federal budget, which under the Federal Act on Financial and Burden Equalisation should finance two thirds of this hardship compensation.³⁷⁷ The extent to which the new organisation of the system of financial equalisation may lead to long-term efficiency improvements and savings cannot be reliably predicted.³⁷⁸ This also holds true at present for the extent of the reduction to be expected under the new financial equalisation of the differences in levels of taxation among the cantons.

Reorganisation of financial equalisation and division of responsibilities between the Confederation and cantons (NFE):

NFE brings in the medium term an additional burden (short-term hardship compensation)

Long-term efficiency increase and savings attainable but it is difficult to put a reliable figure on it

Long-term structural reforms:

Increased cost-benefit issues when building new railway infrastructures

Assessment at universities and universities of applied sciences

Consolidation of social insurances

Further reforms in the area of railway infrastructures, the universities and social insurances are of great importance for the federal budget. When building new railway structures, the cost-benefit issue must in future play a greater role as every investment both in the public sector (operations, maintenance) and in the transport companies (rolling stock) gives rise to high follow-up costs that in the long run are only financed (and justified) if they bring a corresponding economic benefit (→ **Transport Policy**). It is therefore urgently necessary to have a portfolio revision at the universities and universities of applied sciences. Here there are considerable rationalisation potentials that must be exploited through a better allocation of tasks between and within the universities and more competitive allocation of public operating and research funds. What is needed is strong leadership throughout the university system with a simplification of the structures and reduction of management bodies at the same time, not least with a view to maintaining the top spot taken by Switzerland in the area of university education and research (→ **Education Policy**). What is vital for the stabilisation of the federal budget, however, is the further action on social welfare issues. For years this area has shown the strongest growth rates and may, unless countermeasures are taken, in ten years' time account for 40% of federal taxes (2005: 31%), which will put considerable pressure on the ability to carry out other tasks. Experts are calling for fiscal rules to be defined for the social insurance area, similar to the debt brake, which would force the Federal Council and Parliament to take measures in specific situations both in respect of financing and performance.³⁷⁹ The separation of the federal budget and social insurance could also help to make the situation more transparent (→ **Social Security, Health Policy**).

Monitoring of task portfolio:

Which services can we do without?

Where can the level of service be reduced?

How can the efficiency of task allocation be increased?

In order to be able to push successfully ahead with such reforms, which at times considerable interference in vested interests and therefore lack sufficient political support, it seems advisable to include them in a comprehensive and systematic task review, as the Federal Council has already decided. In this context it must be decided according to uniform criteria which of the services in the Confederation's total portfolio of 43 tasks can be done without if need be, where the level of service can be reduced and where tasks can be fulfilled more efficiently through reforms, such as structural revisions, further divestiture of tasks at federal and cantonal levels, outsourcings, etc. (→ **Constitution and Institutions**). The success of this demanding project is crucial to the continued recovery of the federal budget in the coming legislative period.

2005–2007 Federal Administration reform:

Strengthening of political leadership

Exempting the Federal Council of administrative tasks

Increased efficiency of the administration

While the review of tasks is concerned with the question of what the State should do, the Federal Administration reform project (REF 05/07) is assessing how it should be done. REF 05/07 has three main goals: strengthening political leadership, relieving the Federal Council of administrative tasks and increasing the administration's efficiency. To this end, the management structures must be examined and streamlined, personnel management optimised, efficiency increased by reducing the amount of red tape, procedures simplified and duplication of work eliminated. The challenge is the same: to push ahead in a pragmatic way with the Federal Administration reform project and its individual cross-sectional projects. By the end of 2007, these will be completed or the groundwork for their successful implementation will be in place. At the same time, from a conceptional and long-term point of view, the required models and instruments for a modern Federal Administration for the future will be considered (→ **Constitution and Institutions**).

Comprehensive debt strategy:

Structural surpluses to fund extraordinary projects

Guarantee repayment of treasury loans

The implementation of these reforms is an important requirement for ensuring that the main instrument of financial policy – the debt brake – remains workable in the longer term. Without these reforms, the debt brake leads to an undesirable compression of unlinked expenditures with drastic consequences for the core tasks of the Confederation. The increase in federal debt since 1990, however, is not only due to the deficits in the financial accounts. The clearing up of old problems and the funding of treasury loans have contributed their share.³⁸⁰ These expenditures also lead to an increase in debt, but are not subject to the debt brake. From the standpoint of a comprehensive debt strategy, the federal budget must remain balanced in the medium term while still covering exceptional expenditure requirements. Extraordinary projects that will continue to occur in certain areas in future will have to be compensated for by structural surpluses³⁸¹. Then it must be ensured that the repayment of treasury loans to the fund for large rail projects (→ **Transport Policy**) and unemployment insurance (→ **Social Security, Labour Market Policy**) is achieved in accordance with the repayment terms.

Lastly, there is no doubt that there is a need for a longer term examination of a sustainable financial policy. In the coming decades, the structure of the Swiss population will change drastically. This change will have an effect on public budget finances. Particularly affected are provision for old age, health, long-term care and education (→ **Social Security, Health Policy, Education Policy**). Here financial plans that cover the next four years are not sufficient. With the revised Financial Budget Ordinance that came into force on 1 May 2006, the Federal Council is required, in addition to the current financial plan, to draw up longer term development scenarios for certain areas. The development scenarios should indicate development trends and their financial consequences as well as possible control and correction measures and thus create the means to control the problem areas in advance. As the basis for drawing up these scenarios, an overall view of the longer term development of public finances (Confederation, cantons, communes, social funds AHV/IV/EO and AIV) is required.³⁸²

Extending the observation period:
Demographic challenges
Sustainability report
Longer term development scenarios

Taxation policy basically serves to create income from the public that can be used to finance the tasks of the state. In addition to this fiscal goal, taxation policy measures also affect objectives relating to efficiency, location, behaviour, redistribution and fairness. At times, taxation policy measures explicitly serve these objectives, with the result that the fiscal objective plays a secondary role. There are numerous conflicts or “trade offs” between the stated goals. What a simple and efficient tax system that finances state expenditure fairly and in an affordable way for all should ultimately look like can therefore only be determined through the political process.

Purpose of tax policy measures:
Fiscal revenues
Aims relating to efficiency, location, behaviour and redistribution or fairness

Among the numerous instances of work in progress in the field of taxation, all of varying importance and scope, two are especially worthy of mention. Firstly there is the reform of the Value Added Tax Act.³⁸³ The main aim is to increase legal certainty for businesses as well as to make radical simplifications such as the introduction of a standard rate of taxation for all taxable turnovers and the abolition of tax exemptions. The second is that some working couples still suffer negative tax consequences on getting married, despite the approval of immediate measures. Accordingly, the next step is to comprehensively reform the taxation of married couples. Here a decision on the system must be made between individual taxation³⁸⁴ and joint taxation.

Complete the work in progress in tax policy:
Reform of value added tax
Reform of the taxation of married couples

Among the major challenges for the Swiss tax system are the increased orientation towards growth (→ **Economic Policy**) and better coordination in relation to socio-political and demographic challenges (→ **Social Security, Social Policy**). Specialist reports have analysed and quantified the effects on growth and spread of selected reform options.³⁸⁵ The first is the reform of synthetic income tax. By means of the abolition of deductions or the provision of standard deductions (e.g. allowances for certain professional expenses, asset management, premiums for life, health and accident insurance, interest on savings, illness and accident costs as well as payments for charitable purposes), the closing of tax loopholes (e.g. the basic tax exemption for capital gains) and the improved inclusion of fringe benefits, the basis for tax assessment should be expanded. In return, the rates of taxation must be reduced. A second approach is the consumption-oriented reform of the tax system. Here the basic question is whether consumption-oriented taxation should be effected by a revaluation of the (previously reformed) system of value added tax (increase in the rate) or by a change to a personal spending tax. In the case of a spending tax, the variant of a savings-adjusted income tax in which the difference between the income and the net savings is taxed. Pension savings (Pillars 1, 2 and 3a) is already organised in this way.

Increased orientation towards growth in the tax system:
Reform the synthetic income tax
Consumption-oriented reform of the tax system

As regards socio-political challenges, the first is the introduction of earnings-based tax credits. The basic possibility of introducing these in Switzerland is being examined by a panel of experts.³⁸⁶ Then it must be established whether socio-political measures should be effected in relation to income (tax breaks) or expenditure (subsidies) (→ **Social Security, Social Policy**).

Overcoming socio-political challenges:
Tax credits based on earnings

In relation to the demographic challenge – in addition to covering the additional funding requirement for social insurance payments – two issues stand in the foreground: guaranteeing the neutrality of the tax system in relation to the earnings of persons beyond retire-

Dealing with demographic challenges:
Neutrality of the tax system

ment age, and clarification of the connection between taxation and the birth rate (family taxation).³⁸⁷ In relation to the second issue, not only the effects on the birth rate, but also on the number of hours worked per week among working women must be taken into account (compatibility of family and employment). The role that the tax system should play in this must be determined in the context of an overall view of all measures related to family policy³⁸⁸ (→ **Social Security, Social Policy**).

Optimising the existing tax system:

Abolition of stamp duty on new issues

Abolition of the obligation to levy the cantonal capital tax

Removal of the deductibility of taxes from the assessment base and reduction of the rate of profits tax in return

In addition to tax policy measures, the improvement of the efficiency of the existing system of taxation represents a challenge. This must however be tackled after the successful implementation of the second Corporation Taxation Reform. The measures include the abolition of stamp duty on new issues. Stamp duty on new issues of shares does not have any advantages over other taxes that are aimed at taxing income from capital. However, it is characterised by a range of disadvantages that have a detrimental effect on efficiency and the attractiveness of Switzerland as a business location. Similar objections theoretically apply to stamp duty on new issues of bonds as well. Counter-financing must first of all be clarified. A further measure involves the abolition of the obligation to levy cantonal capital tax. In the first Corporation Taxation Reform in 1997³⁸⁹ capital tax at federal level was abolished. The Tax Harmonisation Act still requires the cantons to levy capital tax, however, although the second Corporation Taxation Reform introduced the possibility for limited companies of setting off profits tax against capital tax at cantonal and communal level. This means that the capital tax is reduced by the amount of the profits tax. On the grounds of efficiency and location appeal, however, the obligation to levy a cantonal capital tax should be removed from the Tax Harmonisation Act. Ultimately, an end to the deductibility of taxes from the assessment base would be reasonable. The deductibility of taxes from the assessment base is a Swiss peculiarity.³⁹⁰ This rule has no recognisable advantage when compared with simply introducing a lower tax rate, so that the abolition of the deductibility of tax payments from the tax assessment base while at the same time reducing the rates of taxation would be worth examining.

Simplification of taxation:

Minimise implementation costs

Formal tax harmonisation

A tax system must appropriately reflect the economic and social conditions. Furthermore, it must fit in with the international taxation regulations. Because this is not easy, a tax system by its nature is not a simple matter either. As the experience of recent decades has shown, our tax system has a tendency to be unnecessarily and excessively complicated. Ongoing simplifications are therefore necessary in order to minimise implementation costs, which are made up of the costs of payment and collection in the broadest sense. These costs also include the costs of tax legislation, individual tax planning (tax minimisation strategies), the tax litigation and case law and the costs incurred by interest groups in their efforts to influence tax policy. Simplifications should primarily be made where the tax system itself makes distinctions that are not economically required. This applies above all to over and under taxation or non-taxation. These force the taxpayer into tax planning and thus to use products that have the sole aim of lawfully taking advantage of the possibility of lower taxes or of avoiding higher taxes. Tax federalism makes the situation in Switzerland especially complicated (→ **Constitution and Institutions**). In view of its other significant advantages, the negative effects on the simplest tax system possible must be taken into account. In the context of our tax federalism, formal tax harmonisation may be a suitable instrument for imposing sensible simplifications in the interests of the taxpayer.

Domestic policy challenges

Countering the use of tax policy as an instrument for pursuing special interests

Promoting correctly conceived incentive taxes in relation to environmental protection

There is a regular demand that tax policy should not only serve the goal of procuring revenue but also other economic, social and socio-political goals. Such non-fiscal objectives should, however, be pursued only if the following three requirements are all met: firstly there must actually be a substantial economic, social- and/or socio-political problem (a need for action). Secondly, tax-policy instruments must be capable of eliminating this problem, at least in part (effectiveness). And thirdly the tax policy instrument must demonstrate a more reasonable level of effectiveness than other economic instruments such as expenditure policy or regulation (efficiency). In the case of most tax breaks that are tried under the guise of bringing fairness to taxation or with a view to encouraging the achievement of a certain goal, but which are normally the result of the redistribution efforts of some interest group, these requirements may well not apply. Correctly conceived incentive taxes relating to environmental protection, on the other hand, fulfil

the requirements just defined of “need for action, effectiveness and efficiency”. With this in mind, an increase in their use should be an ongoing challenge for tax policy.

Taxation policy is becoming markedly more important as international business location competition intensifies. It is an important factor in the choice of location made by companies, the choice of domicile for natural persons, the investment of financial resources or even the purchase of goods (→ **Economy and Competitiveness**). Switzerland does not have a large domestic market that it can exploit nor does it have natural resources to benefit from, such as a wealth of raw materials or access to the sea. As a small and open national economy, it relies to an extent on an attractive taxation policy to be able to compensate for its “natural” competitive disadvantages. As a small country, it also has a strategic advantage in international tax competition.³⁹¹ The tax attractiveness of a location very much depends on the level of taxation of businesses, investors and highly qualified worker. International comparative studies confirm that Switzerland has a high location appeal in relation to this.³⁹² The dynamic development of international tax competition, however, is jeopardising Switzerland’s generally favourable position in the long-term. At corporate level, due to location concerns, long-term measures must take precedence. When a company decides on its location, the effective average tax rates are especially relevant. They indicate the tax burden for highly profitable and indivisible investments. Their level is determined above all by the nominal rates of profit tax. The profit tax rate is therefore the most important instrument in international tax competition. Although individual states and multilateral organisations repeatedly attempt to limit tax competition, it can still be said that internationally there is little or no criticism of the use of low rates of profit tax. For Switzerland the aim here is to safeguard its own scope for action, by means of both defensive and proactive measures. An essential location factor for the working and financial centre is also the network of around 70 double taxation agreements. This network of agreements must be constantly maintained and extended to other important trading partners for Switzerland (→ **Foreign Policy**).

Tax competition limits the room to manoeuvre in domestic taxation policy. Tax competition means that an individual country is not free to choose its level of taxation or its tax structure. As a result, cutbacks have to be made if other objectives are to be achieved. This applies especially to the setting of fiscal objectives and to redistribution, but is also relevant to fairness in taxation. Capital, the mobile factor, tends to be able to exploit difference in taxation due to tax competition rather more than the relatively less mobile and less “tax sensitive” factor of employment. This results in the tendency to shift the tax structure to the detriment of employment. Income from the ownership of real estate is a static assessment base. It must therefore be assumed that in the long term, the state will to some extent be compelled to tax income from the ownership of real estate more heavily than it taxes mobile factors.

Meeting international tax competition head-on:

Attractive tax policy for the purpose of compensating for natural competitive disadvantage

For location reasons, measures at society level are preferable

Tax competition limits latitude in domestic taxation policy:

Trend towards shifting the tax burden on to less mobile factors

2.8 Constitution, Institutions and National Cohesion

The issue of relations with the European Union represents a challenge to the Swiss political system in the medium term, given the basic trends in this field (→ **Foreign Policy**). At the same time, there will be a distinct increase in pressure to make changes of course in certain domestic policy areas, which is why the ability to present solutions that have general appeal and that can guarantee national cohesion will be of crucial importance (→ **Social Security, Financial Policy**).

Key issues:

European policy, cohesion, acceptable policies for all

European policy as a key institutional challenge:

The effects of globalisation are mainly to be seen at the level of European integration

Direct democratic and federalist elements would be affected by accession

A comprehensive assessment of the advantages and disadvantages is needed
Permanent review of European policy required
Increased coordination of financial policy
Growing importance of the subsidiarity principle

decision-making powers, which, apart from affecting the content of existing agreements and their development (→ **Foreign Policy, Economic Policy, Migration Policy, Security Policy**), in particular affect direct democratic elements, the federalist structure, the structure of government, and financial rules (→ **Financial Policy**), as well as economic and agriculture policy (→ **Economic Policy**).³⁹³ Here consideration must also be given to the fact that Switzerland's autonomous decision-making powers might be further reduced in practical terms in various areas if it does not become an EU member. The negative repercussions of Switzerland's non-membership might become more perceptible.³⁹⁴ Developments to date have shown that Switzerland cannot divorce itself from important decisions that are taken within the EU. The harmonisation of Swiss law with EU law (so-called autonomous follow-up implementation) will be sought where economic interests (competitiveness) require or justify it (→ **Economic Policy**). This may be done independently or contractually and affects policy decisions in the fields of economics, finance, energy, the environment, and agriculture just as much as, for example, in the areas of common migration, foreign and security policy. The expected costs of any accession (Switzerland as a net payer, more rapid structural transformation in the domestic sector) must be balanced against the costs of future non-membership (no participation, limitation of potential economic growth, freeloader image, vulnerability to international pressures). With the bilateral agreements and their continual adaptation to new needs as well as Switzerland's independent policies, Switzerland's interests can currently be safeguarded, by and large, as well as any other way.³⁹⁵ If Switzerland is to be able to achieve its aims in future, it must have sufficient freedom to act in terms of the bilateral agreements, and the EU must retain its interest in having bilateral solutions with Switzerland. The continuous assessment and improvement of Switzerland's European policy is a key challenge. Both the bilateral approach and accession are possible ways of achieving the constitutional national goals with joint responsibility for peace, stability and prosperity on our continent. Here it is of the utmost importance that the public are actively involved in the debate and support specific steps taken in European policy (→ **Foreign Policy**). The experiences so far with the bilateral agreements make it seem as if no changes to the federal institutions are necessary. If the degree of cooperation were to increase, the creation of a Europe Committee of the Federal Assembly would have to be considered. If need be, cantonal information officers would have to be included in other departments; it would be worth considering the conclusion of a framework agreement between Confederation and cantons on the detailed regulation of responsibilities and procedures for contacts with the EU. Financial policy would on the other hand have to be better coordinated³⁹⁶ (→ **Financial Policy**). Both with the bilateral approach and with EU accession there is a risk of a move towards centralisation within the Confederation and the executives; in view of these circumstances, the principle of subsidiarity will gain in importance.³⁹⁷

International and inter-cantonal cooperation as a challenge to institutions:
Will become more important regardless of the form of cooperation with the EU
Being able to cooperate quickly and appropriately will be decisive
Limited opportunities for parliaments to shape decisions
Cooperative action gaining in importance

Irrespective of the forms of cooperation with the European Union that may be chosen in future, the rising flow of goods, capital, people and traffic will not only radically reduce the significance of national borders, but cantonal borders as well. The solution of existing problems will more and more often have to be found by means of international – and at a domestic level, inter-cantonal cooperation (→ **Foreign Policy, Spatial Planning Policy, Financial Policy**). The ability to cooperate quickly and appropriately with other national governments (or within Switzerland with other cantonal governments) is therefore an increasingly important prerequisite for state action. Ever closer cooperation of governments at an international and inter-cantonal level presents a challenge for parliamentary and direct democracy. At a federal level and in several cantons, parliaments are informed and consulted in the case of important negotiations.³⁹⁸ With the increasing interdependence of domestic and foreign policy (→ **Summary**), the removal of political and factual borders and a growing interdependence in political areas, coordination between the departments as well as between the Confederation, cantons and communes will gain in importance. Special attention will have to be paid to the associated challenges, in particular the inclusion of the cantons and the implementation of Switzerland's international obligations at a domestic level. Cooperative action will gain in importance, with those involved having to relinquish some of their traditional powers. Examples of this development can be seen in the Conference of Cantonal Governments (KdK; 1993) and the "House of the Cantons" project (2005). Special attention will also have to be given to the reverse side of cooperative action. The political integration that takes place in the course

of cooperative federalism normally only leads to cooperation among executives; the influence of the parliament and the people as well as having the possibility of a variety of solutions is limited;³⁹⁹ responsibilities are unclear, complexity increases. In cooperative federalism it is particularly important that the Confederation can rely on the fact that positions assumed by representatives of the cantons vis-à-vis the Confederation are supported in the cantons and if need be in the communes. A reform of federal relations should be initiated by the cantons and communes. An initial step could be the decision of the Tripartite Agglomeration Conference (TAK) to include the improvement of international competitiveness in urban areas in its programme for 2005–2009.

The amendment of the Federal Constitution marks the conclusion of the first phase of a comprehensive reform of federalism with the maxims of Swiss federalism that apply today (subsidiarity, solidarity and cooperation in the Confederation, role of the communes and cities) having been enshrined in the constitution. In doing this, the function of the cantons in the federal structure of Switzerland has been given greater prominence. The intended reform relating to the reorganisation of financial equalisation and the division of responsibilities between the Confederation and cantons (NFE)⁴⁰⁰ does not involve any radical changes to the federal structure and does not represent any contradiction of the current understanding of federalism. Overall, the NFE is endeavouring to achieve a revitalisation of federalism, a disentangling of responsibilities, new forms of cooperation and financing between the Confederation and cantons, a strengthening of federal cohesion and an increase in the steering capacity of the federal state. On the basis of the existing cantons, it is intended that the responsibilities and financing of public functions will where possible and appropriate be disentangled and reallocated. New forms of cooperation and financing are provided for in the remaining joint tasks. Finally, efforts will be made to do away with earmarked funding graded according to financial power (federal subsidies) as well as an increase in non-earmarked funding, in order to be able to achieve a politically better controllable balance of resources and burdens among the cantons and more targeted support for the less prosperous cantons. With a view to increased Swiss integration in Europe, the Federal Council indicated in an initial report that the reform proposals submitted have proved to be compatible with conditions required for EU membership⁴⁰¹ (→ **Foreign Policy**). It is of special interest that in the event of accession to the EU, the already intended strengthening of inter-cantonal cooperation with fair sharing of burdens would noticeably gain in importance. With regard to the repercussions for public finances, an examination of federal financial equalisation due to the considerable changes in the income and expenditure of the federal government and the cantons would be indispensable. The principles of modernised financial equalisation would also be an important, indeed mandatory, element of effective and politically controllable federal revenue sharing following accession to the EU⁴⁰² (→ **Foreign Policy, Financial Policy**).

In terms of a pragmatic approach on the basis of the existing structures, with the new system of financial equalisation, it is firstly intended that reforms be initiated that ensure a basic improvement of the federal decision-making process and of financial equalisation. In the view of the Federal Council, further demands must first be formulated by the cantons and their people and fed into the political process. They cannot be decreed from the top down. In the debate on economic policy, on the other hand, with a view to making gains in macro-economic efficiency, a redivision of Switzerland into large regions or a partial centralisation will still be called for.⁴⁰³ In connection with this, account will have to be taken of the major significance that political stability has in Switzerland's appeal as a business location (→ **Economic Policy**). This stability is based to a large extent on the current geographical division of powers that has developed over the years and the opportunities for political participation at cantonal and communal levels. Territorial reforms that do not or do not adequately take account of these political aspects would be accompanied by serious uncertainties and risks. Any subsequent territorial reform would still be possible with the new system of financial equalisation. The envisaged strengthening of inter-cantonal cooperation, in contrast, offers the possibility of firstly collating experiences of different forms of increased regional cooperation. In the long term, the Federal Council is not ruling out more far-reaching reforms in the course of the third phase of federalism reform.⁴⁰⁴ Such a phase could gain in significance, particularly against the

Reform of federalism:

New Federal Constitution enshrines the established maxims of Swiss federalism, and the role of the cantons is given more prominence

New system of financial equalisation (NFE) modernising federal forms of cooperation

Disentangling of tasks, reinforcement of inter-cantonal cooperation with sharing of burdens and new forms of cooperation between federal and cantonal levels

Compatible with EU membership; cooperation with burden sharing would gain in importance

More far-reaching reform proposals:

Territorial reforms must be initiated by the cantons and cannot be decreed from the top down

Increasing significance of supra-cantonal cooperation regions

Consideration must be given to political stability as a locational factor

In the long term, third reform of federalism?

background of new or increased integration, for example in education, police or health-care. A growing population imbalance between the cantons that are predominantly urban and the rural cantons leads to a situation where the minimum number of no-votes that can defeat a bill subject to a double majority in referendum has fallen. A vote from Appenzell-Innerhoden has around forty times more weight than one from Zurich. Changes, however, would damage the principle of the equality of the cantons. A balancing of the weighting of votes would therefore have to take place as part of a third phase of the federalism reform.

Review of federal tasks:

Disburdening the federal budget, further disentangling from Confederation to cantons

As part of a review of responsibilities, the Federal Council will in addition to other reforms examine further tasks and forms of financial disentanglement from the federal government to the cantons (→ **Financial Policy**). One issue raised by this is that of whether a centralised production of services by the Confederation brings efficiency advantages, or whether a decentralised solution leads to the provision of services that are better tailored to needs. Generally speaking, the quest for further forms of decentralisation is aimed at increasing efficiency and effectiveness in the provision of state services.

Information society requires the modernisation of government:

Improved standards of government communication required

State increasingly a service provider for the public

Create trust through open information policy, access to official documents and conciliation bodies

Use new technological opportunities for modern and efficient government and extend them to direct democratic processes (e-government)

Counter the digital divide in society

Guarantee security and availability of information and communications infrastructures and data

After the predominance in the 1990s of modernisation processes towards new administrative management and an improvement in the steering ability of the state, and the introduction of such measures at federal level, in future the way in which government institutions deal with information and the development of the information society will be a serious and growing challenge. Modern information policy, eGovernment, eHealth,⁴⁰⁵ Information Assurance,⁴⁰⁶ and the significance and changing role of the media are the key issues here for government institutions. The transformation of the industrial society to the service and information society has far-reaching consequences for the relationship between citizen and state. The state is regarded by many citizens and economic players as a service provider and it increasingly perceives itself in this role as well. Government and administrative bodies must accordingly cultivate their relationship with their citizens and with business and industry and disclose and justify their actions to them in order to be accepted as a partner. Trust between the citizen and the state is facilitated by Switzerland's institutional organisation (direct democracy and federalism). This is not enough, though. The proactive provision to citizens by government authorities of objective information that is cautious in tone can help to raise levels of trust. As far as the government is concerned, the objective is to improve the ability of the Federal Council to communicate quickly and competently with all its partners (the media, the public, cantons, parties and associations, the business community and foreign governments).⁴⁰⁷ Access to official documents for citizens – guaranteed by the principle of open government – may also be a way of creating trust in the state, or reducing suspicion. The introduction of the Freedom of Information Act is a major challenge for both the government and its administration: This Act can radically change the relationship between the State and its citizens. It will then be necessary to create a new information culture and new administrative procedures that make it possible to respond to requests from citizens.

Strategy for the Swiss information society

The strategy for an information society in Switzerland that was approved by the Federal Council on 18 January 2006 focuses on electronic administration (eGovernment) and the use of information and communications technologies in the health service (eHealth). In addition, at federal level it is planned to devise a concept and action plan for the standardised handling of electronic data and documents from their conception to their archiving. The strategy for an information society has the aim of using information and communications technologies for the benefit of everyone. It is primarily relevant to action at federal level. As many aspects of the information society lie within the responsibility of the cantons or are both federal and cantonal responsibilities (eGovernment, education, etc.), the Federal Council accords special value to cooperation and coordination with other levels of the state. The strategy covers seven principles for areas: business, security and trust, democratic opinion and decision-making, electronic administration, education, culture and health and health services. In many of these areas, work has been ongoing since 1998; many goals have already been achieved. The Federal Council has decided which areas must be revised and where it sees the priorities for the future.

The long-term free availability of high-quality digital information is a requirement for an efficient direct democracy and for the participation of citizens in the process of making vital political decisions. In the field of eGovernment, the federal government wants as far as possible to exploit the potential of information and communications technologies to bring modern government and administrative procedures. Citizens and the business community expect even greater efficiency in government, round-the-clock access through ICT-supported processes, a reduction in bureaucracy and a simplified procedure for dealings with the government (→ **Economic Policy**). The aim here is to create the organisational, technological and security-related requirements that enable contacts within the federal government, between the various levels of the state, with the business community and with citizens⁴⁰⁸ to be made electronically.

eGovernment strategy

On 24 January 2007, the Federal Council approved the eGovernment strategy for Switzerland. The strategy for 2007 to 2010 sets out the goals, principles and procedures for achieving the targets, and forms the basis for the implementation of eGovernment at all federal levels. The process should be decentralised, but coordinated and under the supervision of a steering body (high-ranking representatives of all federal levels) and a management office. The organisation of the implementation will be governed by a framework agreement on eGovernment cooperation between the Confederation and the cantons. The Confederation and the cantons should focus their efforts within the scope for the Swiss eGovernment strategy on common goals and act together. Starting from the assumption that universal electronic administrative transactions make life easier for businesses, private individuals and government authorities, the eGovernment strategy for Switzerland defines three goals in order of their importance: 1. The business community transacts electronically with government authorities. 2. Government authorities modernise their administrative procedures and transact with each other electronically. 3. The general public can conduct important time-consuming transactions with government authorities electronically.

eGovernment has become a measurable standard for up-to-date government in all developed economies. Efficient state procedures are also a location advantage for businesses and other private organisations. In education and research, in the cultural sphere and in health care (e-Health), the increased use of ICT technology is a factor that is crucial in keeping pace with international competition. Thanks to the mutual exchange of experiences and the best possible compatibility, Switzerland intends to match the EU, which has set itself the goal of becoming the most competitive knowledge-based economic and social region by 2010 (i2010).

Switzerland's international standing in eGovernment

It is also intended to make it possible to exercise political rights electronically. eVoting should progressively make it possible for new technologies to be used by all sections of the population in the exercising of direct democracy (popular votes, elections, gathering of signatures for popular initiatives, etc.). In 2004 and 2005 successful pilot projects for federal votes were conducted in the cantons of Geneva, Neuchâtel and Zurich.⁴⁰⁹ The Confederation intends to create the legal requirements to permit the introduction of eVoting in the cantons, subject to an ordering phasing-in procedure and coordinate supervision at federal level. Our modern society is heavily dependent on the flawless operation of the information and communications infrastructure that supports it. Decision-makers and people in positions of responsibility in politics and the economy must become more acutely aware of these dependencies. Appropriate measures in the areas of prevention, early recognition, emergencies and reconstruction must be planned and implemented jointly by the state and private agencies (→ **Security Policy**). A further social challenge for the entire field of e-government is still the risk of a “dual class electronic society” (the digital divide), which will have to be monitored carefully in the coming years and dealt with appropriately (→ **Research Policy, Education Policy, Social Policy**). In this connection, libraries, above all public libraries, have an important contribution to make.⁴¹⁰ Libraries are leading actors in the information society. They offer free access to information and knowledge. With staff trained in research techniques, they can support users and help them to assess the validity, credibility and legitimacy of information and thus improve their media skills. The Federal Council has stressed the important task that the Swiss National Library in particular performs in this area⁴¹¹ (→ **Research Policy, Education Policy, Social Policy**).

eVoting

Attention must be paid to rapid change in the media:

Preservation of identity and mutual understanding between the regions relies on publicly supported national radio and television channels

New radio and television law that takes account of this political responsibility

The print media is the mainstay of the shaping of democratic opinion

Process of concentration of ownership in the press must be monitored carefully

In Switzerland, a multilingual country with considerable social and religious diversity, an efficient system of communication, particularly via the electronic media, is of fundamental importance. In order to preserve a common identity, not to mention a mutual understanding, our state with four official languages and a variety of cultural priorities is largely dependent on fair representation in the mass media. Political activities based on and legitimised by democratic principles continue predominantly to be played out on the domestic stage, despite the globalisation process. Every country must cultivate its own special features, including its national radio stations and television channels that broadcast to all groups of society and thus contribute to a common identity.⁴¹² The new Radio and Television Act⁴¹³ is intended to take greater account of this political responsibility, which also includes contributions to the unrestricted shaping of opinion and political will in connection with direct democratic decisions (votes).⁴¹⁴ In the event of any further regulation in future, issues of the protection of the young and quality assurance will take precedence. In relation to this, it would be ideal if there could be comprehensive self-regulation in the media. On the other hand, the state may have to intervene in a regulatory capacity, depending on the nature of developments on what is offered. Society and government are also faced with new challenges in the field of the print media. Despite rapid developments in the new electronic media (internet), the print media, along with radio and television, is still the mainstay of pluralism and of the process whereby democratic opinion is shaped in Switzerland. In comparison with other countries, the Swiss press remains highly diverse. The process of concentration of ownership that has been dictated by economic considerations has however gained such momentum in recent years that it is giving cause for concern, especially in regional and local sectors. The diverse and locally deeply rooted political press reflects the extremely wide variety of Swiss federalism, taking account of the needs of local, linguistic, cultural and social minorities. Mergers at a supra-regional level, systems where various local papers use the same masthead and multi-media connections (regional press, local radio and local television) may limit this diversity and thus have an effect on the democratic opinion-shaping process, the foundations of which lie in the cantonal and local fields. As a result, developments in the print sector will have to be monitored carefully. Overall, the preservation of pluralism in the media is a top priority for Switzerland. Switzerland is committed to this in the WTO negotiations and the UNESCO Convention on cultural diversity.

Equilibrium between language regions and between urban and rural areas:

A good relationship between language regions is important for Switzerland as a nation "held together by the will of its people"

In addition to balanced economic development and functioning regional equalisation, cultural understanding and language policy is important

Advance of the English language poses a challenge
Urban-rural contrast limited to certain policy areas

Effects of financial equalisation, social insurance and spatial planning policy are crucial to regional cohesion

The balance between the language communities, combined with a mutual recognition of different cultures, is an important requirement for the maintenance of social peace (→ **Social Policy**) and for co-existence in Switzerland's multilingual, federal state. The four national languages are a defining feature of the country and part of our social self-conception. Various important factors⁴¹⁵ have an effect on this and have a certain potential to segment the linguistic communities. As far as divergences of opinion on the issues of Europe and foreign policy are concerned, there are indications of a reversal in trends. Whereas in the first half of the 1990s, there was a marked divide between German and French-speaking Switzerland on the question of a more open policy (in particular following the EEA vote), these divergences may become less pronounced in future with the further implementation of the Federal Council's foreign policy strategy.⁴¹⁶ If one is to examine the attitude of the various language regions to the role of the state (slimmed-down state versus provision of more public services), however, the indications are that the language communities still have and will continue to have different views.⁴¹⁷ The Italian and Romansh speaking regions do not fit any pattern in relation to these issues. The relationship between the four language communities would become particularly strained in the event that economic development in the various areas were not to progress at the same pace (→ **Economic Policy, Spatial Planning Policy**). As four of the six French-speaking regions are financially weak and have high levels of taxation,⁴¹⁸ the effectiveness of the financial equalisation mechanisms will be of great significance (→ **Financial Policy**). If these do not have the desired effect, additional measures will be required in order that differences in financial power and in taxation levels among the cantons do not escalate. The issue of the agreement among the cantons in relation to the teaching of foreign languages in compulsory schooling, which is under pressure at present due to various popular initiatives in the German-speaking cantons that want French to be replaced by English as the language taught in primary schools,⁴¹⁹ holds a certain potential for tension. This may be alleviated with the implementation of the education article in the Federal

Constitution, which obliges the Confederation and cantons to cooperate on and coordinate education policy, as well as with Article 62 of the Constitution, which in paragraph 4 confers the right on the Confederation to issue regulations if the cantons cannot agree on common education objectives through coordination (→ **Education Policy**). The culturally and economically defined regions that surround Switzerland exercise a strong force of attraction on the three large language regions of Switzerland. There will be a greater challenge for culture policy in the future to contribute to reinforcing national cohesion through targeted exchange schemes and allowing people to experience cultural diversity.⁴²⁰ The creation of a national Languages Act, has on the other hand been rejected by the Federal Council, as the Confederation already has the instruments it needs to achieve the goals set by the Constitution. With regard to urban and rural areas, systematic differences of attitude on issues that have been put to the vote have been detected only in certain matters.⁴²¹ Areas of tension and differences due to problems connected to the functional use of space may also arise in future between city centre and suburban communes and between urban and rural areas. These might be exacerbated by the increasing concentration of the economic and demographic dynamics in the large urban areas. Effective national balancing mechanisms (financial equalisation, social insurance, universal provision of services in the field of infrastructure) and a targeted spatial planning policy (reorientation of regional policy, urban policy) will thus be important in the long term in order to guarantee Swiss regional cohesion (→ **Social Policy, Spatial Planning Policy, Financial Policy**). In addition to achieving equilibrium between the indigenous linguistic communities, it should be more and more important in future to ensure communication and mutual understanding between foreign citizens and state institutions and to encourage the quick acquisition of a national language as well as inter-cultural translation services (→ **Migration policy**).

Gender equality challenges for the state institutions now lie less in the legal area than in the achievement of genuine equal rights. Equal rights in the workplace have still not become a reality, even ten years after the Gender Equality Act came into force. The evaluation of this Act has shown⁴²² that only a few have brought cases based on its provisions – partly as a result of the lack of knowledge of the field among lawyers and in the courts. Here there is an urgent need for more information. There is still a significant difference in salaries between women and men, paid and unpaid work is still unequally shared out, and the compatibility of having a career and a family is still far from being achieved, in particular because it is perceived as a difficulty faced by mothers, even though fathers are also affected. Further efforts are required, and progress must also be made with the promotion of day care facilities (→ **Labour Market Policy**). The reforms made in the area of education may be promising, but they are only a start (→ **Economic Policy, Social Policy, Education Policy**). In the area of public procurement, the principle of equal salaries for men and women can be further enforced. A newly developed control instrument⁴²³ will now make it easier to gain acceptance for this concern. Subsidies available under the Gender Equality Act are to be used as efficiently as possible with the involvement of businesses. The elimination of all forms of aggression towards women remains a challenge. Thanks to the Anti-violence Unit, set up in 2003, there is now a coordination point at national level that creates synergies for the various parties tackling this issue. The offence of domestic violence, now prosecuted ex officio under the Criminal Code and the recently approved provision on protection against violence in the Civil Code can only be effective if regular information on domestic violence is provided at all levels (Confederation, cantons, communes) and this information is targeted at specific groups. Despite a partial opening of the borders to EU members, the protection of victims of trafficking in women (→ **Migration Policy**) still requires special attentiveness. Compliance with the statutory requirements for dancers in cabarets must be more strictly monitored for their protection. Further advances on the way to true equal rights must be tackled, when dealing with other issues as well, by the systematic inclusion of the gender perspective in all policies, programmes and projects (“gender mainstreaming”), and in particular in foreign policy activities (→ **Foreign Policy**). First experiences, especially from the Federal Administration, indicate that this strategy promises to be a success.⁴²⁴ The strategy has special importance in the context of the pressure to cut costs. As has become apparent in Switzerland as well,⁴²⁵ cost cutting carries the risk of imposing a disproportionate burden on women (→ **Financial Policy**). It is therefore necessary to pay special attention to the effects of such measures on women and men.

Gender Equality:

Following the introduction of equality under the law, equality in practice remains the main challenge in the coming years

Promote and monitor the equality of salaries

Elimination of violence against women requires measures to be taken

Progress through “gender mainstreaming”

Equal rights of people with disabilities:

Key challenge is the comprehensive achievement of equal rights

The professional integration of people with disabilities requires additional measures
Important changes of course due in terms of strengthening the self-determination of lifestyles

In recent years, the legal provisions have been put in place to create comprehensive equal rights for people with disabilities. In particular, the Constitution and the Federal Act on the Elimination of Discrimination against People with Disabilities⁴²⁶ provide for a right to have legal and practical disadvantages eliminated. In the coming years, the challenge will be to implement these principles despite the increasing pressure to cut costs (→ **Financial Policy**). In important areas, the right of people with disabilities to participate in society as they wish and on equal terms must be made a reality. This applies in particular in the workplace (→ **Labour Market Policy**). Existing measures on encouraging professional integration, as are planned, for example, as part of the Invalidity Insurance⁴²⁷ (→ **Social Security**), must be enforced consistently. In view of the key importance of employment to social integration, it is essential that further instruments are developed and integration models are tested in pilot projects.⁴²⁸ From the standpoint of equal rights, the elimination of structural obstacles that inhibit access to and full participation in the job market is of particular importance. In education, under the NFE the cantons are now responsible for specialised schooling both in practical and financial terms. They face the challenge of focusing their (specialised) schooling strategies more on integration (→ **Education Policy**). Crucial to the issue of equal rights for people with disabilities is the interface between the fields of education and work. In the coming years, measures that make it easier for people with disabilities who have completed their education to make the transition to a working life must be given special priority. An additional important principle of equal rights is enabling people with disabilities to lead an independent and self-determined everyday life. In this respect, the steps made towards direct allocation of funding to those concerned, such as the doubling of incapacity allowance and in particular the conduct of the pilot project on the assistance budget, are worthy of mention⁴²⁹ (→ **Financial Policy**). Following the conclusion of the assistance budget pilot project decisive changes of policy will have to be considered.

Annex

A.1 Changes in the International Dimension

A1.1 Mega processes at the global and European level

Globalisation and International Inter-dependence

Global changes have been so immense since the end of the 1960s that many observers believe in the emergence of a new global age.⁴³⁰ Technological advances in electronics and in their areas of application such as IT and telecommunications, in the development of transport infrastructure and the lowering of transportation costs, as well as the sustained trend towards liberalisation, increasing international competition through the reduction of trade and customs barriers, particularly at regional and global level (WTO, EU, NAFTA, etc.) increasingly enable companies, institutions and individuals to extend their activities to the international level. The end of the Cold War (1989), the transformation of the planned economies in Eastern Europe and Russia and economic development in Asia (China as of 1978, India as of 1991) have had a legitimising, reinforcing and accelerating effect. These developments form the foundation for an exceedingly manifold and complex process, which for simplicity's sake is referred to in this report as "globalisation".⁴³¹ This globalisation will probably continue to unfold in the first half of the 21st century and is still marked by uncertainty. It is described in greater detail in ten key processes in the next passage.

Globalisation:

Since the end of the 1960s, a new global age has been emerging

Complex developments are described in greater detail in ten key processes

1. Technical-organisational progress is an important driving force

Globalisation is caused to a large extent by current technological revolutions. This development began in the 1970s and is likely to fully unfold in the first half of the 21st century. The following are often referred to as the core elements of the new system:⁴³²

- Technical development is generated and spread quickly. The effects of this increased use of technology have an impact on all areas of business and society. The age of micro-electronics, biotechnology, new materials and other technologies is leading to worldwide structural change, which is associated with the downfall and rise of whole industries and industrial centres.
- The increased pace of technological change means that technical knowledge and expertise once obtained quickly becomes redundant. The half-life of knowledge is noticeably decreasing. The demands made upon school, work and university education and training are rising. Lifelong learning is a necessity.
- Since the 1970s rapid advances have been made in the fields of electronics, IT and telecom applications. The greater diffusion of telephone connections, fax appliances, PCs, mobile telephony, cable and satellite television, efficient data networks and the emergence and increasing widespread use of the Internet has led to more effective communications infrastructures in many parts of the world. A variety of new developments are expected in the future. They are, however, difficult to predict individually, because in the long run, the market will decide their success or failure. The trend towards ever greater data capacity in data storage media and the efficiency of mobile and fixed data networks will continue incessantly; a quantum leap is expected with the industrial application of nano-technology. Digitalisation and data compression results in ever more efficient use of available resources (frequencies, networks). In addition, efforts are underway to multiply the limited capacity of terrestrial cable and radio networks by using new satellite systems.⁴³³ The diffusion of voice, image and data, worldwide, inexpensively and in real time is the foundation for the increasing globalisation of the markets, without which the quick and cheap exchange of information would not even be possible.
- Progress is being made in terms of the decoding of the human genome, advances in biotechnology and the understanding of complex systems (such as ecosystems). Interesting interactions between discoveries on the regulation of life processes/ecosystems and IT can be seen in hardware (parallel processors, neuronal networks, biosensors) and software. Nevertheless, scientific advances in these areas also create serious ethical problems.⁴³⁴
- The rapid development of new production materials with improved qualities (mechanical, thermal, chemical, biological, optical, electromagnetic) and the complex process

New technological-organisational system:

More rapid technological change

Creation of information society

Bio- and material sciences gain in dynamic

Mutually reinforcing interaction

R&D and the ability to implement it become key resources for companies and states

of combining them into products in terms of global value-added chains have accelerated the pace of economic change. The development of new materials and products also provides for interaction with IT (e.g. supra-conductive materials, molecular electronics) and the field of life processes (e.g. solar power stations on the basis of photosynthesis, regenerating active agents and materials). These three basic innovation fields have an enormous impact on products in all possible fields of application (pharmacy, agriculture, transport, environmental technology, energy use and distribution, medicine, construction technology, space travel, resource efficiency etc.).

- Greater dependence on technology and its not yet entirely foreseeable consequences also increases risks. Modern society is so technologically equipped that it has become a “risk society”.⁴³⁵ In modern wealth-producing society, conflicts over the allocation of limited resources are increasingly superimposed by conflicts over the allocation of risks. There is an increasing need for risk management, in which the subjective assessment of risks varies widely, thereby complicating the problem. There is controversy in particular around the assessment of which risks are worth taking and which ones are dangerous.
- At a business level the pace of technological change has led to two contradictory tendencies: Product lifecycles are becoming shorter and development cycles longer. The ever more rapid replacement of products on the market with new, cheaper or better quality products makes time a strategic resource. Given these conditions, states too, have to be able to pre-emptively recognise future trends and be able to prepare and produce quick political decisions.
- Consequently the demands in terms of time, finance and human resources for technical innovation rise worldwide. Large corporations tend to have an advantage over small firms in terms of using global knowledge, however, the rapid technological progress and the steady changes in the markets sometimes also give young enterprises a leading position in a very short period of time. In view of the rapidly changing environment, even large international concerns are dependent on strategic cooperation to carry out projects or acquire young, innovative enterprises.
- Science and technology are also considered to be core factors of economic success by political decision-makers. Technologies deemed to be of strategic value receive billions of dollars of support in the EU, the USA and Japan, and sometimes even with new organisational means. In addition to the competition to attract business, the international technology race between highly developed industrialised nations and between the latter and developing countries, namely East and South Asia, is also becoming more intensive.

Global corporate networks:

Decentralised businesses and alliances are increasingly acting as global networks with operational functions and with less regard to any given nation

Transnational companies induce the process of globalisation which could have significant long-term shifts in the balance of economic power

2. Transnational companies are important actors

Transnational companies are a driving force of economic development and important actors in the process of globalisation. In the 1970s MNEs went through a phase of expansion and were sometimes caricatured as octopuses with many arms, but which still always had one head (one geographic centre from where strategies were developed). Since the mid-1980s the situation is seen in a new light:

- Transnational companies are increasingly setting themselves up as global networks with operational functions, to make optimal use of globally available resources. They are specifically decentralising, outsourcing and/or offshoring their activities, although complementary developments (insourcing, onshoring) are also taking place. As a result of the decentralisation of the production and utilisation processes, SMEs are increasingly finding themselves incorporated in global networks. The new information and communication technologies thereby allow companies to control complex supply chains and to digitalize production processes to a large extent for product lifecycle management.⁴³⁶
- A further feature is the increase in mergers, takeovers and strategic corporate alliances in order to bring down the cost of R&D, gain access to a more comprehensive pool of qualified personnel, technological expertise and financial resources, assure access to new markets and/or neutralise competition in the long term. This process leads to a greater integration of national and international firms in the world market and will probably pick up pace over the next 20 years. It will become increasingly difficult to identify from outside which part of a company does what and which part of the network is associated with which production centre and which firm. Firms from a variety of diffe-

rent countries cooperate, develop, conduct research, produce and market together. This often leads to the establishment of oligopolistic world market structures with a risk of cartel formation in individual global goods and services markets. This has been recognised by the US and EU competition supervisors and appropriate counter-measures have been taken. Nevertheless the principles of upholding competition conflict with economic strategy interests.

- Large corporations increasingly see themselves as trans-national organisations, whose activities are coordinated with the needs of worldwide markets and the prevailing regulatory environment at their locations. According to UNCTAD estimates, two-thirds of world trade is carried out between and within international corporations; this is not fully captured in the statistics of the different national economies. The internal allocation of costs and distribution of profits between the locations of international corporations is not only based on economic considerations, but increasingly on the optimal utilisation of legal framework conditions (regulative arbitrage). Today both in-house and external exchange processes, especially between industrialised nations and developing countries, already result in cross-border technology transfers that diminish the know-how advantage of western industrialised nations. As a result the most important decisions on the distribution of technical and economic resources are mainly taken by large trans-national companies. Approximately 70,000 such companies with over 690,000 branches worldwide have become the de facto motor of globalisation.⁴³⁷ The subsequent shifts in jobs lead to social uncertainty in those places where jobs are lost.
- As indicated above, globalised corporate networks seek to minimise the influence of national boundaries and individual national legislation on their activities. Economic deregulation and the liberalisation in the transfer of goods, services and capital and partially also in people facilitate these efforts and force competing companies to make optimal use of information and communications technologies in order to harness the potential of global markets. There are mutually contradictory interactions between the technical opportunities of the information age, trends towards deregulation and liberalisation and the competing global corporate networks.
- Intellectual property can appear from anywhere and rapidly be remoulded into a new product. The culture of a company is losing its national character, and many products no longer have a clear origin. Working practices, the origin of labour forces and investment have an increasingly multinational character. As a whole the importance of production locations is undergoing major change.
- Globally operating firms no longer feel obliged to any particular country. As powerful actors they are also becoming interesting partners in international politics. The UN and its Secretary-General make great efforts to hold corporations to their obligations, e.g. as partners in the development of Southern countries or regarding compliance with minimum social and environmental standards (global compact).
- In the context of these corporate induced globalisation processes, there are significant, long-term shifts in the world balance of economic power. The OECD believes that non-OECD countries will continue to catch up with development levels of OECD countries.⁴³⁸ The possibility to allow peripheral regions and marginalized population groups to participate in these developments will continue to depend on efforts to improve the investment climate and is expected to take a long time.⁴³⁹

3. Globalised financial markets are of fundamental importance

Since the collapse of the Bretton Woods system in the early 1970s, the importance of the international financial markets has grown dramatically. The international exchange of financial services was drastically liberalised:⁴⁴⁰

- Today, the financial markets are closely linked together. Both developments – progressive globalisation of financial and goods markets – are mutually reinforcing.
- The opening of the financial markets, forced by globalisation, also leads to increasing competition among financial centres.
- The financial markets were and continue to be shaped by rapid technological change. The advances in communications technology enable the worldwide networking of stock markets. An abundance of information is transmitted globally at high speed. Cross-border payments, but also the international trade in financial products of all kinds can

Globalised financial markets:

Stock markets competing with each other worldwide and high mutual dependency of (formerly) national financial markets

Global financial service providers and global investment strategies

International agreements necessary to prevent destabilising effects

be carried out in a matter of seconds. As a result, the mutual dependence of the financial markets is increased and so is their vulnerability.⁴⁴¹

- The liberalisation and the financial innovations (financial derivatives) intensify the competition among commercial banks, which accelerates the worldwide process of consolidation and internationalisation in the financial services sector⁴⁴² and it is only thereby that the global investment strategies of significant international portfolios become efficient.
- Due to their rapid growth over the last fifteen years the global financial markets have gained predominance over the real economy operating in traded goods. The vast volume of international financial transactions is many times greater than the ability of central banks to buy and sell currencies and to grant credit.⁴⁴³ These will have to strengthen their cooperation in order to maintain their economic policy influence over the financial markets. The national scope for action is also dwindling in this area. Without international cooperation it will not be possible to defend against the destabilising forces of the global financial and currency markets. There have been crises, however successful crisis management of the last decade (the Tequila crisis of 1994/95; the Asian crisis of 1997/98; subsequent Rouble crisis, the Brazilian real crisis and the LTCM hedge funds collapse in 1998; the stock market crash of 2000-2002 due to tech bubble burst and the terrorist attacks of 11 September 2001) shows that cooperation among the most important countries and their central banks actually works. Vigilance in terms of the systematic problems of the international financial system will, however, also be necessary in the future.

Economic liberalism:

Liberalisation, Privatisation and Deregulation
Process of catch up in threshold countries
More complex recipe for success for ensuing development
Sobering effect of crisis years 2000–2002
Slow trend to more democracy in developing countries?

4. Liberalisation and deregulation dominate the political agenda in OECD countries

The globalising effects of the new technological system, the global corporate networks and the globalised financial markets were strengthened firstly by the revolutions in Central and Eastern Europe since 1989, secondly by the economic boom in Asia and thirdly by the dominance of free market policies above all in the USA and under the EU's economic and monetary union.⁴⁴⁴

- While the dynamic of scientific progress, technological implementation and mass distribution on the markets was planned by the companies, although as a whole it then leads to unforeseen constellations, the realisation of globalisation was and still is a political project. The liberalisation of capital movements was one of the central factors which since the 1970s enabled the more rapid and intensified pace of economic globalisation. The opening of the markets for free trade and the free movement of goods, services and capital was sought throughout the entire post-war era through the mechanisms of multi-lateral negotiations and agreements. Each of the eight GATT rounds since 1947 served the expansion and consolidation of market liberalisation in all areas – the Doha Round also serves this purpose. The emergence of the information society, the technical advances and transport cost reductions and the collapse of the bloc of planned economies extended and accelerated this development. The founding of the WTO and the creation of the European single market are proof of that. The unstoppable rise of South and East Asian developing countries will further strengthen this trend.⁴⁴⁵
- Privatisation is another similar principle. Sectors which up until now had been state-run such as telecommunications, public transport, postal services, the defence industry, the electricity market, the health system and others have been partially or fully privatised since the mid-1980s or are planned to be in the near future.⁴⁴⁶ Private financing and private investment are seen as the way to mobilise people's abilities and initiative and make best use of the available resources.
- Another element is de- and re-regulation. State monopolies and state intervention in the economy, even in the form of norms and standards, should be questioned. In many areas de- and re-regulation was and still is a transitional step on the way to full privatisation and liberalisation. In other areas it has been and will be complemented by privatisation and liberalisation. Some areas, such as rail traffic in many European countries, continue to be more or less heavily dependent on the state.
- The Washington consensus has long been considered to be the minimal programme of liberalisation and de- and re-regulation,⁴⁴⁷ i.e. the lowest common denominator of measures recommended by the Bretton Woods institutions in the late 1980s to Latin

America to improve its situation: fiscal discipline, basic provision in health, education and infrastructure as duty of the state (but not more); tax reforms to reduce tax rate progression; market set interest and exchange rates; trade liberalisation; opening to foreign direct investment; privatisation; removal of all barriers to market entry and exit; guarantee of right of ownership. Both crises in Latin America over the last decade (1999, 2001) nevertheless show the limits of such programmes. The current recipes for success for sustainable development – alongside functioning political institutions (good governance), effective administration and the containment of corruption – are also considered to be the implementation of liberalisation, re-regulation, privatisation and openness to world markets (as a means to strengthen the national economy through international competition). Multilateral and bilateral development cooperation, which include technology transfer, institution forming, planning abilities, and problem solving capacities, will continue to be considered essential.⁴⁴⁸ It is recognised that the recipes for success of the south-east Asian countries cannot simply be transferred to other parts of the world, as in East Asia where the state played a defining role contrary to the “standard” doctrine of the Washington consensus.⁴⁴⁹

- The understanding that country-specific strategies are in demand is gaining more and more ground as time goes on. Openness to the global market is therefore not meaningful in all cases (at least not right from the beginning). Due to economies of scale, firms in poor developing countries are often inferior to those in developed countries and are therefore unable to compete. MNEs that set up production centres in poor developing countries do not always bring the hoped for tax revenues for the country’s budget as the branches often sell the manufactured products to the main location in an industrialised nation under their market value. A further problem is due to the fact that in many developing countries a large proportion of state revenue is obtained from customs revenues and the creation of alternative revenue sources as part of efforts to bring about the desired changes are difficult to push through and come at the price of high social tensions.⁴⁵⁰ Furthermore, industrialised nations demand that markets of developing nations be opened to them, but they are still not fully prepared to open their own markets to products for which developing countries would be competitive (such as textiles and agricultural products).⁴⁵¹
- At institutional level this trend towards liberalism was and is supported at international level by the United States, the EU and its member states, the WTO, the IMF, the World Bank and the OECD, and since 1990 also by the European Bank for Reconstruction and Development (EBRD). Large developing and newly industrialised countries such as Brazil, India and China as well as Russia are also increasingly relying on liberalisation and deregulation and on a reinforced presence on world markets.⁴⁵² Hong Kong, Taiwan, Singapore and South Korea as well as the coastal provinces of China and the tech hubs in India have been particularly successful in this catch up process.⁴⁵³ In the near future their competitiveness will remain more pronounced in fields of low to medium technological intensity than in markedly high technology fields.
- The experiences of the 2001 crisis year and the fall in prices on financial markets, when leading shares followed technology shares in a downward slide, marked a turning point. In recent years the question of social deduction levels has also become more important because a series of countries with very low social deduction levels have a major advantage in an ever more open world market (threat of social dumping and “race to the bottom”). Therefore countries with a high level of social security were effectively “punished” for this on the world market, if they did not also counter this trend through a deregulation of the labour market. This in turn could lead to a reduction in pay levels and/or social deductions and thereby indirectly to a lowering of social security levels. The example of the Scandinavian countries, however, shows that this is not always the case. In addition, globalisation in the 1990s led to an increased level of public spending in almost all developed countries, and the state therefore became stronger not weaker. The introduction of social clauses in international trade agreements is still a subject of controversial debate.⁴⁵⁴
- The trend to more market and more democracy in developing countries is nevertheless likely to continue in the long term in spite of current setbacks. This democratisation will also continue to be superficial and fragile to some extent in the future; in research circles, there is talk of “defective democracies”.⁴⁵⁵ In Asia, Latin America and Eastern Europe it has often been observed that the democratic institutions may well exist, but

that in everyday political life they often serve as facades for less democratic conditions (“democratism”). Hong Kong and Singapore are examples of countries that have been particularly successful over the last few decades under politically authoritarian, but economically liberal conditions. In Africa there has been progress in recent years, but many hopes of democratisation have been repeatedly dashed. On the other hand, there have been convincing successes such as in Botswana, which is considered to be an example of good governance, prosperity and democracy.⁴⁵⁶ There are observers who, in connection with the opening in the countries of Middle and Eastern Europe and the latest crises in financial markets believe that an economic policy that enjoys democratic legitimacy results in more stable political systems and will therefore win through in the long term.⁴⁵⁷

Change in the importance of competition between locations:

Location qualities that attract foreign direct investment and facilitate the globalisation of domestic firms are becoming more important

State support activities increasingly important

Education levels, motivation and innovativeness of the labour force remain key factors

Growing influence of globalised financial markets on economic policy decisions and stocklisted companies

Increasing pressure on businesses to become good corporate citizens

5. Geographic competition is becoming more intense and is undergoing change

The overall economic interests of a country are no longer only served by creating optimum basic conditions for “its” companies, but also increasingly require tying attractive parts of trans-national value-added chains to their own location.⁴⁵⁸

- It is increasingly a matter of providing foreign companies with good positioning of the expertise (activity portfolio) available on site through direct investment and to provide domestic firms with opportunity to globalise effectively. The classic competition between economies over export promotion instruments has been transferred and replaced by a competition of locations.
- State support activities such as the financing of basic infrastructure (fundamental and high risk research, university and training funding, promotion and funding of ways to publicise scientific and technical knowledge and technology transfer), tax incentives for investment, access to public commissions, support for resident companies in international markets, will become central location factors in order to enable short and medium-term success to a country’s SMEs and MNEs on world markets. Companies need the state in order to be able to react to globalisation. States on the other hand need globally successful companies for tax reasons.⁴⁵⁹
- Workforce mobility is lower than that of capital. With the exception of just a few occupational groups the labour force is currently still nationally or even regionally bound. A broadly diversified pool of well-qualified, motivated workforce and innovative scientists can make a decisive contribution to the attractiveness of a location in the eyes of potential investors. Econometric models also support these findings for Switzerland: According to these assessments, long-term strong economic growth can only be achieved by increasing labour productivity, while at the same time maintaining the high level of labour market participation.⁴⁶⁰
- Furthermore, the key factors for providing a business location with a competitive edge on an international level are the level of education, motivation and innovativeness of the workforce. While fiscal advantages can be copied, at least in principle, and therefore are unable to offer any long-term competitive advantage, individual experience and expertise is related to know-how that provides a business location with the opportunity to stand out and display uniqueness. This is the only way a business location can obtain an advantageous position on the worldwide value chain. Therefore, the state needs to increasingly invest in R&D programmes so as to ensure the form of education and training sought by the companies. Location factors that are particularly important for highly-qualified workers and which contribute to economic success include a wide range of cultural offerings, including the media, and outstanding cultural events.
- Economic policy decisions can no longer be taken from an exclusively domestic market perspective because the financial markets can react quickly to such decisions. Monetary and fiscal policy decisions are tested by the financial markets to see how they will affect inflation, real returns and risk premiums. As a result national governments and central banks have come under pressure to pursue a medium-term stability oriented policy (“low inflation policy”), and to improve the attractiveness of their country for internationally mobile factors of production. States that are unable to create the corresponding conditions, i.e. possess a weak currency with high inflation and may be forced to introduce capital movement controls, risk losing direct investment or even disinvestments, i.e. the exodus of international companies.

- Stock-listed companies in particular face similar pressure from the globalised financial markets, which includes all large transnational companies. The markets force the management of such firms to continually raise shareholder value. This requires a new orientation of corporate strategies and restructuring as well as a focussing of business activities on innovative fields of demand with above average growth.
- On the other hand, companies are also coming under increased pressure to distinguish themselves as good corporate citizens, both nationally and internationally. In sensitive areas, such as the compliance with social and ecological standards, active corporate monitoring by non-governmental organisations has become necessary. Conformity labels and certificates issued by international organisations are gaining importance as a marketing argument.

6. Aggravation of environmental problems

Global environmental changes are an increasingly threatening element of the current globalisation process.⁴⁶¹ In recent decades, a complex network of international environmental agreements was created offering differentiated and complex possible solutions.⁴⁶² The first global world environment conference took place in Stockholm in 1972; the second only 20 years later in Rio de Janeiro (UN Conference on Environment and Development UNCED). Since that time the international community has been building a network of agreements to protect the global environment from the bottom up. There is no world environmental organisation,⁴⁶³ only a patchwork of over 200 international environmental conventions. Following a decision taken at the third Global Ministerial Environment Forum in February 2002 in Cartagena (Columbia) the basis should now be laid for strengthening the global environment framework under the auspices of the “International Environmental Governance” process. As a result, the role of the United Nations Environment Programme (UNEP) should be reinforced as a central pillar of the international environment system. The World Summit on Sustainable Development of August/September 2002 confirmed the results of the UNEP global governance process, but did not fulfil hopes for ambitious possible solutions, such as the creation of a World Environment Organisation.⁴⁶⁴ Important challenges remain, in particular the consolidation of the large number of environmental regimes at national, regional and global level.⁴⁶⁵

- There are numerous and strong indications that the vast majority of global warming observed over the last fifty years is due to the increase in greenhouse gas concentrations in the atmosphere caused by man.⁴⁶⁶ The effects of climate change have been noticeable for several decades and are becoming ever clearer. The effects of greenhouse gas emissions are delayed and sometimes irreversible.⁴⁶⁷ However, there are also scenarios of abrupt climate change (i.e. roughly over a decade). If current trends continue, the IPCC calculates⁴⁶⁸ a global rise in temperatures of 1.4°–5.8° Celsius by 2100. The climatic changes brought about vary greatly from region to region and manifest themselves in temperature changes, increased precipitation volumes, desertification, rising sea levels, reduced snow coverage, shrinking of glaciers, species extinction and increased risk of extreme weather events such as tropical hurricanes.⁴⁶⁹ Europe and Switzerland are also affected by such changes.
- The planning and implementation of measures for the protection of the environment currently involves dealing with increasing uncertainties with regard to the effects of climate change. New strategies need to be developed to deal with these uncertainties using the most reliable measures possible. Therefore, in addition to initial climatic, meteorological and hydrological conditions, the use of our living space also needs to be dealt with as a dynamic variable. This requires a shift from an inflexible approach based on resistance to change to the development of a dynamic use of our environment (dynamic capabilities), which accepts change. The basis of this approach hinges on the willingness to factor in the possibility of natural disasters by refraining from using larger areas of land in the vicinity of known hazards. A dangerous anthropogenic disruption of the global climate system can no longer be fully prevented, but the extent of future climate change depends greatly on the amount of further greenhouse gas emissions.⁴⁷⁰ By immediately reducing greenhouse gas emissions, the speed and intensity of these changes can be reduced.⁴⁷¹ The reduction of stratospheric ozone concentrations will continue despite the measures already initiated internationally to limit CFC emissions

Global environmental problems:

Strengthen awareness for the community of fate of mankind and increasingly challenge the international community

Current globalisation processes in business, technology and science accentuate the problem

Intensified internationally coordinated efforts necessary to overcome the challenges

First steps introduced towards common direction, new methods of international cooperation on environmental matters

Implementation phase introduced

Global sustainable development is a matter affecting all

(Montreal protocol reinforced in London and Copenhagen), as for physical-chemical reasons it will take years for there to be a stabilisation or improvement in the situation.

- The destruction of the ecosystems and the resulting species extinction will gather pace in the event that the trend towards overuse of cultivatable areas of land (particularly in boundary areas, e.g. the Sahel and in delicate ecosystems, e.g. tropics), clear and burn, land acquisition for major agro-industrial projects, trade in tropical timber and other human influences continue.⁴⁷² The gradual process whereby vast areas of land are transformed into steppe or desert is also tied to this and has an impact on the water balance, food security in these areas and migration movements. Progressive land degradation also has a negative impact on the climate system.
- Further problems of a regional and (partially indirect) global dimension in environmental matters are likely to become more pronounced without effective counter-measures at local, national and international level. These problems primarily include the endangering of fresh water reserves by harmful chemical substances from agriculture, industry and urban centres; water shortages in North Africa, China, the Near East and parts of Europe; the mounting volumes of hazardous wastes and the threat of increasing trans-national trade in such products through disregard of the Basel Convention, especially by rapidly growing newly industrialised countries. Finally, the growing trend of flight from the countryside in developing countries and the related increase in problems of social exclusion, water provision, sewage and waste disposal and mounting traffic volumes, particularly in urban regions must also be mentioned.
- The United Nations Conference on Environment and Development held in Rio in 1992 (UNCED) and the follow-up conferences demonstrated that the existing problems can no longer be resolved with the available structures at international or national level alone. A central dilemma is that long-term sustainable development is unlikely to be achieved on its own due to the driving forces of the current globalisation processes in business, technology and science, although development normally results in greater demand for an intact environment that also becomes affordable due to greater financial scope. The rapid development of newly industrialised countries in Asia and increased competition for business locations will, however, for the time being put increased pressure on the environment. This will emphasise the need for a more intensive, internationally coordinated energy and environmental policy in the future, while the security of supply will continue to be a central concern of national energy policy.⁴⁷³
- In view of the enormous challenges presented by global environmental problems, the international community has clearly raised its political commitment. Improved political coordination of the efforts within the framework of the United Nations Environment Programme (UNEP) are accompanied by the conclusion of a series of new legal instruments such as the protocol on biological safety in the framework of the Convention on Biological Diversity, the Kyoto protocol in the field of climate or two important conventions for the protection of the environment and public health from hazardous chemicals (PIC, POPs). A number of important actors, however, still remain on the sidelines, and are not sufficiently involved or not involved at all in certain processes. No satisfactory international agreements have been concluded yet for other global environmental problems, such as deforestation or the degradation of forest resources, despite the urgency of the situation.
- It will continue to be difficult to push through corrective political steering mechanisms at international level. Nevertheless, with the signing of the Kyoto protocol, the industrialised nations were for the first time bound by international law to reduce their greenhouse gas emissions. The exact modalities were ultimately worked out with the Marrakech Accords.⁴⁷⁴ The Marrakech conference finally cleared the way for the entry into force of the Kyoto protocol, and only ten years after the signing of the framework climate convention. Following intense diplomatic efforts of the EU, Russia ratified the agreement on 18 November 2004, which could then finally enter into force. The United States remains on the sidelines. In the protocol, the industrialised nations for the first time bindingly commit themselves under international law to reduce their greenhouse gas emissions between 2008 and 2012 by at least 5% below 1990 levels. Beyond this first step it will be necessary to bring in further stricter reduction measures after 2012 and expand the circle of participating nations. Russia is still far below its emissions level of 1990 due to the decline of its heavy industry in the 1990s, and will even be able to sell emission certificates.

- Successes have also been achieved in the protection of biological diversity. Under the framework of the UN Convention on Biological Diversity (Biodiversity Convention) a framework agreement was signed by over 180 states setting out the aims and means of achieving them. It commits all signatory states to establish a national plan for the protection and sustainable use of biological resources. The first concrete steps to implementing the biodiversity convention were taken with the creation of a Biodiversity clearing-house mechanism to record all projects. In the field of the controversial use of genetically modified organisms an additional protocol on biological safety was successfully negotiated.
- In order to assure the financial implementation of objectives under multilateral environment agreements (MEAs) the Global Environment Facility (GEF) was established in 1991. With the GEF as the principal environmental financing mechanism the donor nations are increasingly placing emphasis on the greatest possible coherency in the environmental system. Today it serves as the official financing mechanism for the conventions on biodiversity, climate change, ozone depletion, land degradation and persistent organic pollutants and finances the developing countries' efforts in these areas.
- It is becoming increasingly apparent that global sustainable development is an extensive matter that, together with protection of the environment must also have economic efficiency and social solidarity as its goal in order to be able to solve the existing problems. This hinges on massive aid from developed countries, which is actually in their own interest: If the developing countries were to achieve the priority objective of significantly higher economic and social development level in the style of the present production and consumption model of the industrialised nations, it would inevitably result in an ecological disaster.⁴⁷⁵ At the UN World Summit for Sustainable Development in Johannesburg in September 2002 a political declaration and plan of action was adopted on the further implementation of the agreements of the World Summit in Rio in 1992 as well as the remaining development objectives.⁴⁷⁶ The roughly 30 objectives often quantified and with time goals demonstrate the direction of future national and international efforts in countless problem areas. However, the plan of action is way off the mark of original expectations. A response appropriate to the global challenges will require additional efforts.

7. Increase in migration flows

Since the 1980s there has been a sharp increase in migration flows, while a general decline in the number of applications for asylum in industrialised nations was recorded in the last few years. International cooperation between origin, transit and destination countries has increased in the form of different initiatives (the Bern Initiative, the Global Commission on International Migration, etc.).

- There are a wide range of causes of migration, such as the huge prosperity divides between north and south, military conflict, disregard of human rights, poor governance and population pressure. Migration occurs in countries with above average population growth and high population densities in large agglomerations. This particularly applies to countries in Africa and Asia. In addition, the economic imbalance between industrialised and developing countries induces large sections of the population to emigrate with the conviction that they will be able to find better living conditions elsewhere. Political change and military conflict as well as situations of general violence bring about an additional potential for migration. Natural or technological disasters or environmental destruction are further grounds for unexpected population movements. The media and lines of communication also contribute to migration by reducing the fear of the unknown or via media by conveying impressions of worlds far removed from reality.
- Alongside voluntary or deliberate migration, the amount of forced migration is also increasing. It is difficult to estimate the number of people taken by force and exploited in various ways, but it is considerable.⁴⁷⁷ This de facto return to slavery (trade in people) can only be effectively combated internationally and underlines the importance of corresponding efforts by the UN, OSCE, EU, the Council of Europe and the IOM (International Organization for Migration).
- According to the International Organization for Migration (IOM), worldwide numbers of migrants, i.e. persons who live in countries and across state borders outside their

Increasing migration flows:

- Diverse causes
- Rise in refugees from violence
- Majority of migration within national borders and to neighbouring countries; rising cross-border and also intercontinental migration
- Need for cooperation between origin and target countries
- Importance of migration for developed countries for demographic reasons

homeland currently amount to 191 million persons. 60 per cent of these persons were living in countries in the developed world. The economic impact of migration is huge; in 2004, immigrants sent over USD 226 billion to their countries of origin (of which USD 145 billion flowed to developing countries).⁴⁷⁸ Their status and their living conditions, in particular concerning their integration and their rights, vary greatly and are sometimes precarious.

- Most migratory movements occur within borders. International migration often occurs between neighbouring countries. However, intercontinental migration movements north, thus towards Europe is on the rise. Apart from forced mass refugee movements, modern migration mainly takes place in small groups, in a steady and common pattern. In the target countries of the north, namely in Europe (less in North America) there are increasing integration and cohesion problems as a result.
- Political efforts to deal with migration cannot however simply be directed at developing strategies to keep people at bay. For demographic reasons, immigration is highly important particularly for developed countries. These countries will take in roughly 25 million migrants from 2000 to 2010. Without this immigration, the shrinkage and aging of total population of some of these countries would definitely be greater than previously predicted. According to the medium variant of the revised UN World Population Prospects,⁴⁷⁹ population in developed countries will grow about 0.05 per cent from 2005 to 2050, and population in European countries is even expected to shrink by 0.24 per cent during this period. The population trend surplus is attributed to USA and Canada that will continue to grow at an average rate of 0.64 percent. The EU, the Global Commission on International Migration and the Bern Initiative stress that ideally international migration could have a positive impact on the economic situation both in industrialised countries and in newly industrialised and developing countries. However, creating win-win situations for all economies involved and also for migrants, requires close coordination on policies between industrialised countries and the migrants' countries of origin.⁴⁸⁰
- Since the end of the 1990s, the EU has become increasingly concerned with population trend, especially in the field of asylum, which according to the Haager Programme is expected to be harmonised by 2010. At the same time, the EU aims to support the countries in the origin and transit regions in developing and strengthening capacities for protecting refugees using regional protection programmes. With the free movement of persons and the creation of the Schengen area, the EU has committed itself to a common migration and external border policy. In regards to contracts, there are still major differences between the migrants' home countries and the destination countries.
- Although the UN Convention on the Rights of All Migrant Workers and Members of Their Family (1990) came into force on a global level in 2003, no industrialised western country has ratified it to date. The 1951 Geneva Refugee Convention, on the other hand, has been ratified by 143 countries.

Cultural globalisation:

Need for new orientation.
Increased awareness of cultural differences

Simultaneously homogenising tendencies (business and political elite, American popular culture, globally integrated civil society)

Complex interactions with local, national and regional cultures. Differing reaction patterns vary between total rejection and total adoption

Emergence of a non-western modern age as a consequence, growing non-western character

8. Globalisation is becoming increasingly multi-cultural (diversity of the modern age)

On the one hand, global cultural homogenisation is generated by the increase in the worldwide exchange of information, goods, services, technologies, etc. and globally active cultural goods industries, religious movements and the self-establishing globally integrated civil society. On the other, local, regional, national cultures and entire culture groups are increasingly challenged and trigger counter-movements as a result. These processes are extremely complex, partially contradictory and controversial.⁴⁸¹ The ongoing economic rise of China and India, the anticipated winners of globalisation in the coming decades, will result in decreasing the link between American and European interests and values.⁴⁸²

- Until recently the east-west conflict provided the international system with a relatively reliable orientation. The positions of the various countries were clear and generally stable. The east-west divide defined who was seen as the enemy and masked cultural differences. Today almost all countries have recognised the principles and practices of the free market economy. In this situation "with no clear enemy" the need arises for a new orientation, which could also provide the impetus for greater recognition of cultural

differences. From this perspective, intercultural conflict could increase and under certain circumstances take on locally threatening forms without the will to conduct better dialogue between culture groups and reinforce cooperative structures and institutions to deal with the most important causes of this conflict.⁴⁸³ From a European point of view the tensions between Christian and Islamic cultural groups are particularly relevant in this regard.

- At first glance, the processes of globalisation in the economy lead to cultural assimilation (norms of behaviour, accessories, English language etc.) in particular with the elite of the international business world and partially the political elite ("Davos culture"). Furthermore, the internationalisation of science and technological research also leads to a certain assimilation of the international research elite (research standards and methods, English also lingua franca of science). These forms of cultural globalisation simplify relations between the elites, but can nevertheless create problems between these elites and non-elite sections of the population who are culturally domiciled but economically underprivileged. Corresponding feelings could lead to the creation of nationalist or religious counter-elites.
- In addition, there has long been the global spread of commercialised culture forms, particularly American popular culture⁴⁸⁴ (entertainment series, films, clothing, pop music, fast food) and international sport culture (Olympics, world championships etc.) which has had a certain standardising effect. The spread of corresponding consumption and behavioural patterns has been further reinforced over the past years and decades by the new global media (CNN, MTV, Internet, music portals such as iTunes etc.). Whether the spread of popular culture is simply a feature of superficial behaviour, or also effectively transfers perceptions of belief and values⁴⁸⁵ has yet to be shown. The reactions range from broad acceptance to total rejection with various degrees of compromise in between. The success of these forms of globalisation is not least related to the fact that there are a great variety of forms and that there is no pressure to adopt any specific form. In the long-term in the event of a clear shift in the balance of world economic power there will also be a gradual shift in the cultural backgrounds of the dominantly spread, commercialised cultural forms.
- Closer inspection, however, reveals that the developments described of a cultural standardisation of the elites and broad population often remain superficial phenomena. On the whole, one should distinguish between modernisation and westernisation on the one hand and affected sections of society on the other. As a rule modernisation does not mean westernisation and the adoption of western values, even by the elites. Instead a diversity of modern spirits has emerged without one deep form of homogenisation of cultures having taken place beneath the apparently harmonised surface. Japan has remained culturally independent although it is highly modernised.⁴⁸⁶ Also with regard to the role and position of women in society it is by no means the case that the western ideas of equality have been universally adopted despite globalisation. In many cases there is not even compliance with the minimum standards of the UN General Declaration on Human Rights. Women experience discrimination in many areas in developing countries, which is regrettable also from a development policy perspective because improvements in women's position in society are shown to provide impulses for development.
- The classic theories of modernisation, which (in the field of sociology) go back to Max Weber, are not in a position to explain the phenomenon of a diverse non-western modern age.⁴⁸⁷ However, even the modern social scientists have to date failed to develop convincing theories on the diversity of the modern age. Nevertheless the academic globalisation debate on the question of whether the different cultures of this world could be homogenised to the same extent by the worldwide expansion of the model of the market economy as the economic order gives rise to various responses: these range from the fear of a cultural levelling to predictions of violent conflict to uphold their own cultural identity. Simple westernisation as such does not exist, but the violent reaction to tendencies towards modernisation certainly does. Modernisation has particularly become a problem in Arabic countries and in South Asia, and this is mainly because these societies often tend to experience modernisation as a form of western cultural imperialism, which slowly spreads through consumer products and cultural content (film, music etc.). This then has the effect of mobilising defensive reflexes, occasionally extending to terrorism.⁴⁸⁸ Examples of non-western modernity (Japan and cities in China, Malaysia, Indo-

of globalisation due to the rise of China and India
Occasional establishment of religious or national counter elites

Acceleration of the modernisation processes due to global cultural influences

Sustained relevance of religion

nesia, Thailand, India, Kenya, Ivory Coast etc.) show that modernity and a separate cultural identity are no contradiction. Overall cultural diversity has barely suffered under globalisation, although globalisation has led to a massive acceleration in modernisation and triggered difficult processes of social change.

- The question of whether or not globalisation ultimately serves the implementation of human rights and democratic conditions is also relevant, although modernisation (spurred on by globalisation) does not lead to westernisation. There is much to indicate that worldwide, human rights and democracy are increasingly seen as universal and not merely western values. Under international law the matter is clear: All members of the UN are bound to the corresponding passages of the UN Charter.⁴⁸⁹ In reality, human rights are seriously abused over and over and there are often setbacks. However, on the whole globalisation seems to be instrumental for the implementation of human rights.
- The independent organisation “Freedom House” has identified a definite increase in states with democratic systems of government in the last twenty years. In 1987, democratic elections were held in 40 per cent of all states. In 2005, this ratio increased to 64 percent. The ratio of states that guarantee both political rights and human rights amounted to 46 per cent in 2005. This ratio was only 34 per cent in 1985. Whether and to what extent this trend relates to globalisation cannot, however, be determined.⁴⁹⁰
- Modernisation has not led to a persistent secularisation; instead religion continues to play an important role in the lives of modern people.⁴⁹¹ Since three decades, an increase in the return of religion to political life has been observed. Ethnic, cultural and religious identities continue to play a major role in all regions of the world. In Europe there has also been widespread debate about the incorporation of Christian heritage in the EU constitution. Europe’s deeply secular culture is challenged in dealing with the prominent political role of religious identities in other regions of the world, especially in the case of Islam. Globalisation should contribute to stimulating identity policy based on religion.⁴⁹²
- In addition, there is a progressive development towards a “global civil society”, which among other things is seeking to enforce international standards in the fields of ecology, north-south relations and human rights. There are thousands of non-state bodies that make up a highly varied group (associations, people’s initiatives and NGOs).⁴⁹³ The global civil society is an expression of the high moral and humanitarian standards, which today set many forms of social commitment. It was this civil society that wanted the Rio conference and got its way by placing pressure on national governments and the United Nations. It is the most important champion of moral principles and of the rules of the General Declaration of Human Rights, of the feminist movement etc.⁴⁹⁴ National governments, which are still the primary actors, currently have to deal with these groups who work around them and establish regional as well as international and global connections. However, there is still a North-South divide in this area: The majority of NGOs originate from the developed world, and although they are committed to supporting developing countries, they are weakly anchored there. The development of a solid and diverse civil society is still in the process of evolving in most developing and newly industrialised countries.

Changing role of nation states:

Globalisation processes raise the pressure for societal change and increase the challenges on abilities to maintain internal cohesion due to international locational competition

Globalisation processes increasingly limit autonomous regulation and steering options and create the need for international agreements

Increasing importance of international organisations

9. The role of nation states is changing and multilateral governance is developing

A manifest tension is growing between the process of globalisation and national autonomy. Although nation states will remain the prime actors in world events in the future, the processes of globalisation will present fundamental challenges in two respects:

- The first challenge for nation states, which is rather one of domestic policy, is that globalisation places higher demands on the ability of individual systems of society to undergo structural change and above all exposes them to international location competition. The evolution of the political system will be decisive in mastering this challenge (economic and financial policy, research policy, education policy, labour market policy, social policy). The problem lies not so much in determining what action needs to be taken, but rather in creating the political capacity to act. On the one hand, the core question concerns how to deal with those who have lost out from adaptation and integration and the related ability of being able to ensure domestic cohesion (economic, social, labour market and agriculture policy). On the other, the ability to be able to implement future-

oriented political and institutional reforms in order to regain political legitimacy is becoming increasingly important.

- The second challenge, which has more of a foreign policy nature, regards the need to impose supranational rules for political areas in which either global public goods (e.g. resolution of conflict, international security, international legal certainty, social stability, intact environment, etc.)⁴⁹⁵ are at stake, in which international externalities (e.g. transnational environmental pollution) play a significant role or in which social, health or environmental standards are threatened by competition between business locations.⁴⁹⁶ In order to maintain or restore political influence in these fields, it is necessary to transfer traditional national competences to supranational (regional and global) level. However, as soon as it becomes a matter of furnishing international or supranational bodies with the power to sanction or implement measures, which is necessary to enforce corresponding regulations in the collective international interest and, if need be, against special national interests, resistance intensifies. It is undeniable that these can be partially justified due to the fact that no feasible solutions have been found yet for issues such as democratic legitimacy of supranational executive power. Overall, the expansion of the legal and institutional framework of the international political system has not been able to keep adequate pace with the processes of globalisation.
- The processes of globalisation have not really – as is often believed – led to a “synchronisation” (increasing convergence) of national policies, but has rather had the function of acting as a catalyst for country-specific, domestic policy reform projects. Reform projects that are oriented to individual structures of the various social and political systems and thereby brought about substantial political change, have until now been possible in confrontational democracies (e.g. New Zealand) as well as in concordance democracies (e.g. the Netherlands). Differing national processes and paths of adjustment are likely to be necessary and sensible in the future too.⁴⁹⁷ If the balance of world economic power should significantly shift in the long term to non-OECD countries, it cannot be ruled out that the pressure to adapt will rise sharply and the social and political systems of OECD countries will in future face fundamental challenges. It is not yet possible to determine to what extent an increased pressure to convergence could come about under such future conditions (e.g. continuous levelling in a downward trend). At present, however, such a trend cannot be empirically proven, at least not in terms of corporation tax.⁴⁹⁸
- The importance of global organisations is therefore rising. Successes such as the expansion of GATT to the WTO also face new challenges such as the growing pressure for reform of the UN, the World Bank and the International Monetary Fund. The concentration of worldwide agreements in practically all political domains is an expression of the will of states to trade with one another. In most cases, however, the facilities to implement them are insufficient. In addition, there is a lack of democratic legitimacy in decision-making processes on an international level. Thanks to the end of the post-war bipolar era the role of the UN has been reinforced and transformed, especially in the field of peacekeeping and new efforts to reach consensus by means of global conferences (incl. regular assessment of their results by holding extraordinary sessions). Since the 1990s non-government actors from civil society have also been integrated in a big way into the preparation process and work of the conference. Increasingly, sub-national bodies such as cities and member states are developing their own international agenda. Transnational firms are invited to participate in the regulation process because they possess the know-how in critical areas. Self-imposed codes of conduct and voluntary obligations (global compacts, best practices) are gaining in importance. Hybrid forms of public-private partnerships are being tried. All this superimposes the world of multilateral structures, without supplanting these structures, but serving instead to complement them in certain areas. Results such as the framework agreement on the protection of species and climate protection or the establishment of a UN Human Rights Council show the direction in which matters could develop.⁴⁹⁹ In view of the likely acceleration in the processes of globalisation and the ensuing global challenges such efforts will have to be redoubled in future.
- Parallel to this, regional forms of cooperation have been strengthened both geographically and in terms of content. Examples of this can be seen in the expansion of the EU and of NATO, the consolidation of the OSCE and the Council of Europe, but also in terms of the growing influence of organisations such as NAFTA, Mercosur or the rein-

Trend towards American and European unilateralism
– extraterritorial influence of American and EU law
Democracy deficiency problems in multilateral governance

forced cooperation efforts within ASEAN or APEC. In particular, the dynamics of European integration is accorded a prominent role. The countries of Europe believe that it will only be possible to win back the ability to act globally by partially shifting their territorial references to a new, larger, supranational and regional entity. Consequently, in addition to ensuring peace within Europe the conditions should also be created to allow these states to play an active role in shaping future global developments (Europe as a global player).⁵⁰⁰ Regional organisations in the rest of the world have far less capacity for action than their counterparts in Europe. While there are now some 250 regional trade agreements registered with the WTO (130 of which registered after 1995), further developments towards economic integration of the countries concerned are either not planned or stagnating. The weak nature of the State in developing countries means it is often difficult to bring momentum to efforts to establish regional cooperation.

- Both the USA and the EU are demonstrating a growing tendency to act unilaterally and bilaterally (“G2”). The sheer size of the American and EU markets makes it possible for the USA and the EU to regulate many things unilaterally or jointly without waiting for or including the rest of the world. The extraterritorial influence of American and EU law is growing. Any company wishing to be globally successful today cannot get around the American and European markets and is therefore obliged to accept the prevailing rules and regulations. The USA has even put a brake on various multilateral projects or stood on the sidelines.⁵⁰¹
- The development of multilateral and civil society governance structures at international level, with the result of “cross-border cooperation”⁵⁰² at least in the globalised regions of the world, also has its downsides. Globalisation made it necessary to transfer the decision-making powers to an international level because an increasing number of problems could no longer be managed single-handedly by individual states. This transfer is associated with a greater influence of international decisions on domestic policy. International decisions limit the latitude of individual states. The greater influence of international decisions has become increasingly at odds with expectations at national level. Club-like decision-making structures, confidentiality of negotiation and sometimes long delegation chains make it more difficult for citizens to have access to information on international negotiating processes and thereby make it impossible to lay the blame for any decisions on the actual decision makers. The rejection of the draft EU Constitution⁵⁰³ or the protests on the sidelines of the decision-making meetings of the World Bank, the International Monetary Fund and the G8 have made it clear that the existing decision-making procedures in international relations no longer satisfy the citizens’ need to be informed and to participate. At international level, organisations such as the WTO are additionally faced with the increasing demand from a large number of previously unimportant states, to make decision-making structures more transparent and decision rules fairer. The democratic deficit of international decision-making resulting from the discrepancy between the regulation requirements of the globalised world and existing institutions has been clearly brought to light in recent years and has also been recognised by decision-makers. There is, however, significant disagreement over the action to be taken to solve these problems. Up to now, no supporting consensus has been reached as to the form in which democratic procedures could be integrated in global institutions.⁵⁰⁴

Criticism and opposition to globalisation:

The excesses of the 1990s have provoked massive criticism and opposition to globalisation

Fears linked to globalisation
The losers from globalisation and groups defending their interests organise resistance

The 9th round of WTO negotiations will be a forum

10. Opposition movements to globalisation

Globalisation has also given rise to criticism and strong resistance. A distinction needs to be made here between academic criticism of globalisation, resistance from civil society and the unease of developing countries with the current form of globalisation. There has also been an emergence of strong opposition caused by the path of globalisation itself:

- In the mid-1990s “globalisation” was purely an academic term. In a second phase it went from being a technical term to a catchphrase, seemingly encompassing and even justifying all forms of expansive, worldwide economic activity and not without reason. The world market is of course not an invention of the late 20th century, but the rapid changes in transportation and information technologies combined with the political changes of the 1990s, the opening of markets and their deregulation took on a whole new character that people sought to encapsulate in this one word. Since then the catch-

phrase has transformed into an emotive term highlighting the uncomfortable flipside of these developments.

- The at times spectacular opposition to globalisation in industrialised countries though is a new phenomenon: Domestic adversaries of globalisation within individual states tend to have widely varying interests (from agriculture and ecology groups to trade unions and Marxist anti-capitalists). However, all perceive themselves to be losers of globalisation or administrators of these losers. One cannot overlook the fact that in many countries, within industrialised as well as in developing countries, globalisation is accompanied by a growing divide between rich and poor.⁵⁰⁵ While globalisation puts the importance of borders into perspective, its consequences accentuate paradoxically national borders: in view of the real social hardships that affect them, the losers of globalisation are easy to mobilise and consequently become increasingly interesting to parties of the extreme left and right of the political spectrum as a pool of potential voters, although the latter vehemently plead in favour of economic as well as cultural delimitation, while groups on the extreme left advocate economic protectionism against outside influences while wanting to show tolerance towards cultural influences and migration movements. The public only become properly aware of these currents though following the violent demonstrations at the WTO Ministerial Conference in 1999 in Seattle and the G-8 summit in Genoa in 2001 marking the culmination to date. Until now, the process of relocating production in more competitive regions mainly applied to poorly qualified professions, however, well-qualified personnel is increasingly affected. This has led to increased uncertainty among the middle class.⁵⁰⁶ Coping with the political consequences of this trend will not be easy.
- The ninth round of GATT/WTO negotiations initiated in Doha has become a true forum of international criticism of the current form of globalisation. The developing countries are pushing for concessions in the area of agriculture. The liberalisation of trade in agricultural goods and the further reduction of agriculture subsidies stands at the top of the agenda (§ 13 of the Doha Declaration). Progress should be achieved in three areas: Market access, reductions of export subsidies and trade-distorting domestic support. At the same time non-trade concerns are also gaining greater importance and acceptance in WTO negotiations, particularly food protection, environmental protection, rural development, biodiversity and animal welfare. No satisfactory international treaties have been concluded yet for global environmental problems, such as deforestation or the degradation of forest resources, despite the urgency of the situation. An opportunity exists here for greater Swiss involvement.
- According to the World Bank globalisation has also brought dividends for non-OECD countries.⁵⁰⁷ But this also had its downsides, which have been identified since the Asian crisis of 1997: in times of high financial market volatility it is the weak economies of developing countries that are the first to be affected by another country's problems and experience difficulties often through no fault of their own. These problems then rapidly and relentlessly have repercussions on the working people and lead to social hardship, which in contrast to the developed world cannot or cannot sufficiently be cushioned by the state. Parallel to economic integration it is also important that the social security systems in the countries concerned be developed so that participation in globalisation does not bring with it unacceptable social risks.⁵⁰⁸ Nevertheless it is important to bear in mind the advantages that the world market represents in case of continual progress of developing countries until they attain the level of the industrialised countries: global purchasing power and global prosperity would be significantly higher.
- Globalisation is characterised by contradictory tendencies of integration and exclusion.⁵⁰⁹ The development requirements of the 155 less developed countries⁵¹⁰ vary considerably depending on size, population, resources, development of infrastructure and human capital. The oil-exporting countries and newly industrialised countries in East and South-East Asia and in Latin America are becoming connected with the major global economic centres, which have become important export markets and investment locations. In addition to the group of economically emerging regional powers with political bargaining strength (such as China, India, South Africa or Brazil), the large group of political unstable countries that are marginalized from the world economy is growing and is surrounded by an increasing number of countries in a state of collapse. For these countries development aid remains an urgent necessity, which if it is implemented in accordance with the latest knowledge on the subject, can also be successful. The divide

to debate the current form of globalisation

Social consequences of globalisation for threshold countries

The digital divide between rich and poor countries remains to be overcome

between the poor and poorest countries and the developed world has grown in all areas, even in technical infrastructure and access to technology, especially in the field of information and communication technologies. However, the digital divide not only exists between the developed world and developing countries, but also in these countries between urban areas, which are often well catered for, and more rural areas. It is one of the tasks of development cooperation to reduce these divides. While the rapid pace of technological progress in developed countries gives rise to an increasing gap, there are plenty of examples (such as the development of a competitive software industry in Bangalore or the growth of mobile telephony in rural Africa), demonstrating that it is not only possible for developing countries to catch up given the right amount of effort, but that they can even enter the race at a high level.

Regionalisation: The relevance of the EU to Europe

Current regionalisation processes:

Domination of economically motivated forms of cooperation

WTO rules set the general conditions

Tendencies towards regionalisation, which are visible in the form of the EU, NAFTA, ASEAN and its free-trade zone AFTA, Mercosur in Latin America and the Arab Maghreb Union present differing degrees of economic and political integration. One thing they share in common, however, is an element of seeking to modify the trend of globalisation: the reference of the state should partially be raised to a supranational, regional level. The new, greater entity is intended to raise the international influence and level of cooperation of the participating countries. The integrating regions enact internal liberalisation steps prior to that, which occur under the framework of the WTO, and partially tend towards establishing additional external barriers. The risk of conflict with the WTO rules was defused when the WTO set out basic conditions for regional processes of integration.⁵¹¹ However, the successes of regional economic alliances vary. The pace of integration in developing countries is also markedly slower than in Europe. In many cases (CARICOM, ECOWAS) such initiatives do not get beyond the stage of stated intentions (see below).

Definition of regionalisation trend:

Dual integration of the world economy

Due to the tendencies towards regionalisation, the processes and the institutionalisation of the integrated world economy move towards being a double form of cooperation. The first level of integration is intra-regional, i.e. it leads to the instigation and progressive consolidation of cooperation within regions (joint ad-hoc commissions, free trade zones, customs unions, single markets, monetary union, and political union). The second level of integration takes place at global level and is based on cooperation between the various regions.

Differing dynamic based on geography:

Economic regionalisation processes – reaction to globalisation processes mainly exist in Western Europe, North America and South East Asia. Likely future consolidation in these regions

Processes of economic regionalisation have been around since the 1950s in the form of a gradual removal of economic barriers, which have the effect of splitting a region into many national markets. The most advanced and oldest example is the European Union. Most of the other examples are the product of the last ten to twenty years. Most examples of regional economic integration correspond to the model of a customs union and various forms of national market liberalisation. Only in the case of the European Union does this liberalisation also extend to capital, services and people.⁵¹² The association in North and South America and in the Pacific primarily aim to establish free trade zones. In Asia and particularly in South East Asia the trend is instead characterised by a bundle of ad-hoc cooperation agreements reinforced through bilateral agreements and multilateral organisations. In Arab and African countries there is almost a total lack of effective regional economic blocs and there is even a regressive tendency, in contrast to the situation in Asia. Following a series of initiatives in the 1960s and 1970s to conclude agreements and create institutions for economic integration, many of these, however, still only exist on paper.⁵¹³ Given the common economic interests of the countries in these regions one should expect, albeit only in the long term, a slow yet progressive introduction of other forms of integration in the fields of finance, foreign and security policy to take place.

European Union 1:

Importance of the EU for Europe continuing to rise
Eastern enlargement of the EU consolidates the trans-

The end of the cold war provided a historic opportunity for states formerly in the sphere of influence of the Soviet Union to participate in European integration and thus take part in the construction of peace in Europe. The fact that the states of Eastern Europe received the promise in the first phases of change that they would be able to join the EU and that they would be supported on this path if they implemented certain reforms, significantly

contributed to the success of the transformation process. Enlargement of the EU taking in a further twelve countries constitutes a formidable political and economic challenge. Parallel to the process of enlargement, the steps towards deeper integration initiated with the Treaties of Amsterdam and Nice also proceeded. The EU single market is a reality, and a uniform EU legal area is becoming apparent; in the meantime, the Schengen states have established a common migration area. Common Foreign and Security Policy of the EU is beginning to take shape. However, the attempt to provide the EU with a Constitution established on a consolidated international legal basis and to bring the decision-making processes in the EU in line with the new conditions of the 25 member states, failed in spring of 2005. Ultimately, the enlargement of the EU raises the question of which states should be able and want to participate in an integrated Europe with supranational decision-making mechanisms. Under this process which consists of integrating European states with a common history, traditions and corresponding value systems into a political and economic entity, it would seem that old historical and cultural boundaries play a not insignificant role.⁵¹⁴ It is also necessary to define the EU's relations with the former Soviet republics in such a way that the new European order does not lead to new lines of friction. A further delicate issue is the relationship with Turkey, whose formal membership application began in 2005, but cannot be completed in accordance with the negotiating framework before the adoption of the EU budget for the period after 2014. The objective of the negotiations is ascension, but these negotiations are an open-ended process, the outcome of which cannot be guaranteed beforehand. In December 2006 the EU decided temporarily to suspend membership negotiations with Turkey in eight of the 35 negotiating chapters as Ankara refused to extend the customs union with the EU to Cyprus.⁵¹⁵

The EU remains torn between enlargement and deeper integration. The reforms decided upon with Agenda 2000 and the Treaty of Nice were aimed at making the EU fit for enlargement after having committed the 13 candidate countries to the so-called "Copenhagen Criteria" that all candidates had to fulfil. The reforms agreed at Nice do not live up to expectations and only partially ensure the EU's complete ability to act with 25 members or even 27 or more. There have always been further-reaching EU proposals, but precisely those structures most in need of reform are hindering the implementation of these reforms. Following the meeting of the European Council in Laeken in December 2001, a convention chaired by the former French president, Valéry Giscard d'Estaing, was charged with proposing a new framework and structures for the EU, free from everyday politics, to be presented at the Intergovernmental Conference in 2003.⁵¹⁶ A draft of the constitutional treaty was submitted at the EU Summit in Thessaloniki in the summer of 2003. This draft with some amendments was approved at the EU Summit in March 2004 and signed on 29 October 2004.⁵¹⁷ After the failure of the referendums in France on 29 May 2005 and in the Netherlands on 1 June 2005, the ratification process came to a halt. Following the summit meeting in June 2005, the heads of state and government decided to have a "period of reflection", until the end of the Austrian Presidency of the EU in June 2006. This would not, however, call into question the continuation of the ratification process. On 15 and 16 June 2006, the European Council appraised the various initiatives that had been proposed up until this date and decided to prolong the period of reflection. The German presidency (first semester in 2007) will submit a report to the European Council. A solution is expected to be found by the time of the French presidency in 2008 at the latest. In the intervening period, the Commission's proposal, set forth in its communication, "A Citizens Agenda for Europe", presented in May 2006, will be further pursued: Until the resolution of the constitutional crisis, integration needs to be pursued by optimally exploiting possibilities provided by the current agreements. In January 2006, the European Parliament also adopted a legally non-binding declaration regarding this matter, which provides for increasing citizen involvement in the constitutional treaty project by creating "parliamentary forums", and to decide on further action in the second half of 2007. Specific solutions to the crisis are not yet in sight. In its current form, the Constitutional Treaty barely stands a chance. The rejection of the Constitutional Treaty reflects a sense of malaise in the EU, for which the EU institutions themselves and the governments of the member states have not yet found a viable solution. This malaise includes the growing scepticism among the population, especially among the "older" EU countries towards further developments of the EU, in particular EU enlargement.⁵¹⁸ For the time being, the EU is being pushed to its limits of consolidation and expansion.

formation of Central and Eastern Europe
New priorities in addition to the consolidation of the economic and monetary union: further development of Common Foreign and Security Policy, further consolidation and prospects for EU enlargement with additional countries.

European Union 2:
Tension between deeper integration and eastern enlargement remains
Urgent need for reform to ensure the functioning of the EU after eastern enlargement
Agreement on a constitutional treaty, which is however rejected by France and the Netherlands in referendums
The EU is reaching its limits

European Union 3:

Re-regulation at EU level: common migration policy, combating of organised crime, improved police cooperation

Monetary union brings a greater need for coordination in financial and economic policy

Competitiveness, economic growth and unemployment will continue to depend primarily on the ability of the Member States to reform EU initiatives in science and education

In spite of this crisis, there should not be any doubt, though, that much has been achieved and that various current challenges are being addressed. Apart from the consolidation of the Common Foreign and Security Policy, closer cooperation in the fields of immigration, asylum and drugs policy, the combating of organised crime (reinforcement of EUROPOL), law enforcement cooperation, global trends demand greater efforts on the part of the EU and its Member States in stimulating economic growth, improving competitiveness, reducing unemployment and reducing environmental pollution. Successes in social and economic development are basic preconditions for the long term success of the integration process.⁵¹⁹ In March 2000 at the EU Lisbon summit, the European Council adopted a comprehensive package of measures in the areas of economic, social and environmental policy, which should enable the EU to become the most productive and innovative economic area worldwide by 2010. Despite the programme's disillusioning half-time results in 2005, it was reissued and extended to 2013. The EU also took on significant projects in the field of education, in addition to the already largely implemented Bologna process including the Triangle of Knowledge (7th Framework Programme, Life Long Learning and the Competitive Innovation Programme). The aims of the Copenhagen process include achieving comparability and a system of European credit transfer (National Qualification Framework) for vocational education and training, in a similar fashion to the approach of the Bologna process for tertiary institutions. The smooth introduction of the euro, initially as a deposit currency and since 2002 also as a paper currency, represents a large step in the right direction for the EU towards a unified and fully integrated economic area: The euro has brought greater stability to the foreign exchange markets; inflation rates in the eurozone have remained low. In addition, the euro has established itself as a currency of issue and following its initial weakness against the dollar may increasingly emerge from the dollar's shadow. There is still a long way to go, however, until the euro becomes a global reserve currency on a par with or even above the dollar. EU citizens believe the euro lost some of its lustre after the retail industry took advantage of the changeover to the euro in 2002 by raising prices in all stores. The euro also still needs to prove itself as a motor for far reaching reform in the EU. The existence of the single market and the creation of Economic and Monetary Union in particular require a more marked centralisation of economic policy (monetary policy, competition policy) and a higher degree of coordination between the partners within the EU especially in terms of financial and economic policy. Their common foreign economic policy could also be strengthened as a result. The related desired effects on growth and employment have not materialised to the extent that had been hoped. Economic growth in the different EU member states has varied greatly, which clearly emphasises the importance of structural reforms in the labour market, in the area of taxation, and the basic legal conditions for economic activity.⁵²⁰ While the large countries of continental Europe are putting great pressure on the EU towards harmonisation, especially in terms of taxation, and would also like to see a greater crackdown on harmful tax competition (also in relation to Switzerland where the tax treatment of holding and management companies is an issue), the UK and above all the new member states in Central Europe are strictly opposed to such a policy as it would rob them of some of their competitive advantage.

European Union 4:

The EU is not on the way to becoming a super-state

Many areas will largely remain in the hands of Member States

Contrary to some fears, the EU is not on the way to becoming a uniform European super-state despite enlargement and the successes of integration. In size, the civil service apparatus in Brussels compares to that of a European city. In the community areas of the first pillar of the EU, Member States exercise their sovereignty jointly in accordance with the accepted rules (mostly under the co-decision procedure); however, the transposition of these rules into national legislation is a matter for the member states. Most legislative projects in the EU require roughly 70 per cent of the weighted votes of the Member States – a higher hurdle than that required for constitutional amendments in the USA, for example. Research calculations show that in the course of reform of voting procedures in the EU, in spite of the transition to majority decision on various matters, the passage probability of guidelines continuously fell as a result of EU enlargement.⁵²¹ Governing in the EU is becoming increasingly difficult even in the first pillar; new forms of cooperation such as transnational networks, in which the European Commission also actively involves representatives from industry and civil society (e.g. in the regulation of the electricity market) and enjoins them to regulate defined technical aspects on their own, are therefore becoming more important. The domains of Common Foreign and Security Policy

(2nd pillar), and cooperation on Justice and Home Affairs (3rd pillar) remain subject to intergovernmental cooperation (i.e. no formal transfer of competencies). The EU has no competencies in the field of direct taxation; its budget is restricted to 1.27% of EU's gross national product; the current decrees envisage a threshold of 1.045% of the gross domestic product in the period between 2007 and 2013. The Commission's proposals on entrusting the EU with determining its own sources of tax revenue were met with vehement resistance. Many fields of policy remain the exclusive domain of the Member States. The areas of labour market, culture, research and education, social and technology policy and taxation⁵²² are likely to remain largely in the hands of individual Member States for the foreseeable future. The situation is also fairly similar in the area of infrastructure in that the EU is striving towards a common goal (e.g. the network guidelines of high speed railways), but the financial means to put them into place largely have to be provided by the individual Member States.⁵²³

A1.2 Assumptions on Developments in the International Sphere up to 2010

Global Level

In the medium term, the international system will not be shaken by the surprising increase of global environmental disasters, massive waves of inter-continental migration or global conflicts. Regional natural disasters, including those that result from advancing climate changes and the escalation of individual political conflicts into military conflicts cannot be excluded. Since the 1990s there has been a marked decrease in the number of armed conflicts. Conflicts between states and inner-state conflicts are increasingly being deescalated by preventive diplomacy, threat of sanctions and peace keeping missions, before they escalate beyond the threshold of violent conflict. The possibility of international wars cannot, however, be ruled out in the future.⁵²⁴ The situation in the Balkans remains structurally instable, even though there is currently little probability of military conflict.⁵²⁵ The flash points of the Near and Middle East and of Southern and Eastern Asia will remain problematic.⁵²⁶ The US superpower will continue to wage limited wars, if these are deemed to be in its interest, even despite the opposition of its allies. The use of oil as a weapon in political disputes cannot be ruled out and would have noticeable economic repercussions in the short term, but would not have much of an impact in the medium and long term due to the diversity of alternative sources of energy and the large number of oil suppliers.⁵²⁷ Even without these scenarios, European and US dependency on oil suppliers in the Middle East remains a problem, particularly as the large newly industrialised countries in Asia are increasingly emerging on world energy markets and are noticeably accommodating increasing demands.

Wars and Disasters:
Environmental disasters and massive migratory movements remain either serious regional problems or latent problems
Risks of war remain in usual dimension
Dependence on oil suppliers in the Middle East remains a problem

The rapid changes in the security policy environment in various regions of the world hold the risk of further erosion of the Nuclear Non-Proliferation Treaty (NPT). It has been largely undermined by four factors and partially called into question in the past few years: First of all, nuclear-weapon states have refused to hold good on their nuclear disarmament promise. Secondly, there has been increased use of informal instruments (such as the Proliferation Security Initiative) as well as legally non-binding agreements of this treaty. Thirdly, the examples of North Korea and Iran could serve as a model, resulting in a regional domino effect: Countries, whose neighbours are pursuing or already possess nuclear weapons, are under pressure to follow suit. Fourthly, the risk of transfer of nuclear material to non-state actors has increased; through networks (A.Q. Khan in Pakistan), on the one hand, and, via nuclear facilities without appropriate safeguards, on the other hand. The long-standing debate on the theory of nuclear deterrence ("more may be better") appears, at least in the United States, to have been supplanted by the distinction between proliferation that is acceptable and pursued outside of the NPT regime (Israel, India), or tacitly tolerated (Pakistan) and proliferation that is vehemently opposed (Iraq, increasingly Iran). The NPT itself already contains a problematic and historic distinction based on power politics between nuclear-weapon states and states, who in accordance with the treaty must abstain from developing nuclear weapons. The U.S.-India Nuclear Cooperation Agreement of 2005/2006 that is yet to be approved by Congress and the Nuclear Suppliers Group (nuclear export control organisation) makes increasing allowances for

Nuclear weapons:
Growing danger of proliferation of nuclear weapons

U.S. regional interests and appears to reinforce the arbitrary distinction between “good” and “bad” proliferation. Its effects on the debate on nuclear programmes in Iran und North Korea are uncertain. The EU also views the proliferation of weapons of mass destruction as one of the greatest security policy challenges of the coming years, considering it to be the greatest military threat to the EU area and anticipates that nuclear proliferation can only be prevented by cooperation among states. The EU is therefore striving to increase the control of weapons of mass destruction in the existing international agreements, without, however, excluding decisive action by the UN.⁵²⁸ In the United States, the transfer of nuclear weapons to terrorists is considered to be an actual threat.⁵²⁹

International terrorism:

Increasing organisation of global terrorist networks
Measures are necessary at both national and international level

Has the potential of becoming an international military threat

International terrorism will continue to preoccupy the world for a long foreseeable future and demand all kinds of efforts (regulatory and police measures, social integration programmes) and international cooperation (to combat the causes of terrorism at the sources). In addition, military measures by individual states to combat terrorist threats in other countries should not be ruled out.⁵³⁰ In Europe, where military risks truly disappeared since the end of the Cold War, terrorism is the most significant security policy challenge in Europe; the population is aware of terrorist-related threats. So far, terrorism had most often been a national or sometimes regional problem related to indigenous conflicts. Terrorism is becoming increasingly organised in global networks, in particular terrorism of Islamic origin. In terms of prevention and combat, this form of terrorism is comparable with organised crime (see below). Terrorism can, however, also take on the quality of an international military threat, for example when states support terrorism or even wage conflicts using terrorism, or in the event that terrorists acquire weapons of mass destruction. It is still unlikely that terrorists will get their hands on nuclear weapons; however, this threat is being taken seriously by the scientific community.⁵³¹ States that openly or covertly support international terrorism have reason for being worried about military retaliation. As far as the combat of the causes of terrorism is concerned, a distinction needs to be made between short- and long-term strategies. Domestic (police, security, social and other) measures and international cooperation are indispensable in the short term.⁵³² In the long term, the only way to combat terrorism will be fostering political reform in the states of origin, improving intercultural relationships and promoting economic development. The resolution of the difficult conflict between Israel and Palestine would be a particularly important requirement.

World population:

Will reach approximately 8 billion by 2025

The developed world is faced with stagnation and accelerated aging of its population, despite increased immigration

In developing countries the population is continuing to grow, but the trend towards aging has also been identified

According to the United Nation’s medium term prospect (Revision 2004), the world population was estimated at 6.5 billion in 2005, and is expected to grow to 7.2 billion by 2015, to 7.9 billion by 2025 and to 9.1 billion by 2050.⁵³³ Developed countries are still expected to have an annual growth rate of about 0.05 per cent between 2005 and 2050, during which time European countries will shrink by 0.24 per cent. The positive rate is linked to the population increase in the United States and Canada, where the average growth rate will continue at 0.64 per cent. The decrease in population is linked to accelerated aging of the population: In many developed countries, the number of people over 64 is expected to nearly double by 2050 in proportion to the number of 20-64-year-olds (numbers of elderly people). The Russian Federation is expected to experience a fall in population of 10 million by 2025 and 31 million by 2050, as well a serious population shrinkage process. The German population – to illustrate the example of a Western European country – would probably shrink from 82 million to 78 million. In the neighbouring regions of Europe, in the Near and Middle East as well as in Africa, in contrast, population will continue to grow over the coming decades, in spite of the decline in the number of children also experienced by these countries. In North Africa, a population growth of 60 per cent is expected by 2050, 80 per cent in the Near and Middle East (with Turkey) and 125 per cent in African countries south of the Sahara. The population in most of the current developing countries will age however, and significantly faster than in Europe for example, due to the rapid decline in fertility since the 1970s. Advances in medical treatment in developing countries will initially lead to accelerated population growth, while development progress in general will tend to have a decline in population growth rates as a consequence. Certain African countries will be left scarred by the AIDS epidemic.⁵³⁴

Migration:

Continuing pressure on developed countries requires migration control measures

Migratory pressure on developed countries will continue. There will continue to be refugee movements as a result of war, famine, economic problems or large catastrophes, but will primarily occur locally or regionally. For demographic reasons, immigration is

highly important particularly for developed countries. On balance these countries will need to take in roughly 2.6 million migrants per year between 2000 and 2010. Migration therefore requires control policies, however, efforts cannot simply be directed at developing strategies to keep people at bay. In many developed countries, in particular in Europe and in Japan, immigration has become the largest factor contributing to population growth. Due to the low number of children, the total population in some countries would shrink earlier and even more than existing prospects. Developed destination countries will continue to aim for measured and monitored migration, allowing them to cover their manpower requirements and to compensate for part of its naturally dwindling population. Financial transfers by immigrants will continue to be an important source of currency for the countries of origin.

Refugee movements will remain local or regional
Measured migration is in the interest of both countries of origin and destination countries

In the second half of the 20th century, the prevailing view was that infectious diseases had been for the most part conquered, at least in industrial countries. This assessment had to be revised with the emergence of new infectious diseases, such as AIDS, SARS and avian flu.⁵³⁵ These diseases have shown that global health problems are increasing and can have considerable economic and political consequences. Health experts believe a worldwide flu pandemic is likely to strike within the next ten years. A growing number of countries, including Switzerland, have been intensively working on preparation for a pandemic. Health issues are gaining importance in international political cooperation and in the orientation of development policy. This was been clearly taken into account on an international level through the adoption of the Millennium Declaration by all the member states of the United Nations.⁵³⁶ The protection of health requires increased cross-border efforts, such as in the fields of food safety, safety of therapeutic products, chemical safety, radiation protection, occupational safety and in many areas of environmental policy. Health issues are often also commercially relevant, given the fact that measures taken to protect health can restrict the free movement of goods and persons. On the other hand, commercial measures can also have both negative and positive indirect effects on the health of a country's population. This conflict of interests is taken into account through the significant exceptions to the WTO's basic principle of unhindered market access. Measures that are necessary to protect health are basically allowed, provided they are non-discriminatory and they do not contain disguised restrictions.

New global health problems:
New global infectious diseases
Health is an important issue in development policy
Health protection is an international duty
WTO exceptions for the protection of public health

The basic movement towards economic liberalisation will remain dominant in the medium term and is expected to gain plausibility through the foreseeable rise of East Asian newly industrialised countries. The division of labour at a global level will continue to increase. Despite countervailing forces, globalisation will continue.⁵³⁷ The spread of free trade to agricultural products between the most important trading powers can hardly be avoided in the long run, but will only take place in small steps.⁵³⁸ Globalisation will not result in the homogenising effect that many feared, but will bring forth a cultural diversity of modern trends. A growing portion of humanity will be affected by globalisation and be able to benefit from it; in the medium and long term, the large industrialised countries in Asia, namely China and India, will be globalisation's winners;⁵³⁹ the poorest states, in particular in Africa, will on the other hand continue to only be affected incidentally by globalisation or will remain completely excluded from its effects.

Economic liberalism:
Continued basic movement
Globalisation to go on, as the important countries still want to follow this path
The East Asian newly industrialising countries, primarily China and India, are globalisation's new winners
The poorest countries remain excluded

The WTO system is improving the opportunities of the large export nations, particularly those in Asia, but also requires far-reaching economic reforms which bring social and political risks, which was made clear to China by the OECD.⁵⁴⁰ The transformation of Eastern Europe, the opening-up of China, the liberalisation of India as well as various developments in Latin America are bringing new and confident actors in world economic events. The Asian Tigers (Singapore, South Korea, Thailand and Taiwan), Indonesia and Malaysia have overcome the turbulence of the Asian crisis (1997/98) and the stock market plunge in 2001/02 (technology stock crisis) after making successful reforms. These states are becoming increasingly important not only as exporters and as the target of direct investments from globally active (mostly European and American) corporations, but also as domestic markets, competitors and potential locations for business. The network-like integration of NAFTA, EU and Japan (Triade) will remain meaningful in the medium term. The economic rise of China, India, Brazil, Russia, and possibly South Africa (known as BRICS) will, however, make noticeable changes to the world economic map in the

Balance of Global Economic Power:
Increasing integration within the Triade will continue to dominate
Rapidly increasing importance of the newly industrialised countries in Asia as well as Russia and Brazil

medium and long term, especially if the national and international environment remains relatively peaceable and there are no serious frictions related to the supply of raw materials, in particular, energy.⁵⁴¹ The international patterns of trade, direct investments, and political relationships between the large trade blocks and the rapidly growing newly industrialised countries will continue to gain strength. Multinational companies and strategic alliances between such entities will have increasing significance in this area.

Move towards Modernisation:

Increasing division of labour and locational competition, problems adapting structures and need for reorientation in industrial countries

The new technical and organisational system is having its greatest impact in the form of advancing globalisation and economic restructuring. This is particularly evident in sections of the service sector as part of the increasing division of labour, above all between developed countries, but also increasingly rapidly with newly industrialised countries. The global market volumes for new technologies are set to grow. Presence in these markets will become more important for companies and economic regions. The push towards modernisation and the resulting growth impulses for the global economy are being accompanied by structural adaptation problems in the old industrialised countries, primarily in Europe.

Growth of the Global Economy:

Short-term: Growth acceleration after overcoming the long-term effects of the crisis of 2001/2002

Medium term: Growth to continue in accordance with trends of past 20 years
Successive transfer of the global economic epicentre from the Atlantic region to Asia and to the Transpacific region

Potential for growth inhibiting crises in view of increasing political risks

Increasing location competition

In the short and medium term, the OECD and the IMF anticipate similar growth in the United States, in the EU and in Japan with growth rates of around 2.5 to 2.9 per cent per year and the potential for a slight acceleration. Overall, it is assumed that in the OECD area, the economic growth of the past 20 years will continue as before.⁵⁴² The economies of developing and newly industrialised countries will grow about twice as fast, however, this lead is expected to decline by the end of the decade. The medium-term prospects for the global economy will continue to be regarded as positive.⁵⁴³ However, as crises, conflicts and disasters will also have to be expected in the future, and significant problems such as the structural reform of the Chinese banking system and the disequilibria of the global economy with the double deficit in the US (in the current account and the federal budget), still remain to be solved, temporary slumps cannot be ruled out. In general, those newly industrialised and developing countries that are part of the globalisation process will develop more quickly, and indeed more quickly than developed countries, thus becoming more susceptible to temporary economic downturns. In those regions of developing countries, that have not become connected to the international economy, stagnation, or (in the event of wars, disasters, or epidemics) even marked decline is to be expected. The internationalisation of the globalised economy will progress, with continuing location competition between industrialised countries and newly industrialised countries. Connected to this will be increased pressure to reform structures and greater need for reorientation towards new technologies, skills and growth markets in all industrial countries.

Poorest Developing Countries:

Deterioration of the problem situation and risk of growing development gap

Integral and comprehensive political approaches are becoming more important to improve the prospects of these countries

The population in developing countries is expected to increase from today's five to eight billion people in the next 40 years. Progress is being made in poverty reduction and the poverty threshold will generally increase. This is not, however, taking place quickly enough and not worldwide. In parts of Asia and in South America the number of poor people is falling, while it is increasing in Africa. Distribution of wealth and a fairer deployment of resources are becoming key issues. The differentiation process within developing countries has given rise to different problem areas and conflicts of interest. The number of the poorest countries (Least Developed Countries – LDC) rose to 49, the vast majority of which are located in Sub-Saharan Africa. Without the help of additional measures, these LDCs and many middle-income countries (MIC) will have only minor chances in the medium term of improving their growth prospects and taking proper advantage of the growth of the global market and new technologies. There is a risk that these countries, due to population development, a lack of their own financial resources, high debt, inadequate infrastructure (transport, energy, health, etc.), low level of education among the population, etc. will remain in a poor state and the rift between these countries and growth regions will continue to widen. The consequences in the relevant regions, primarily in Africa would include increasing poverty and the exacerbation of regional problems such as famine, over-use of regional resources, increasing migration to cities, military conflicts, regional waves of migrants, increased health problems (AIDS)⁵⁴⁴ etc. The poverty problem will remain the key issue for development, peace and environmental policy. International regulations and integral approaches for structuring the economic,

social and environmental regulatory framework will become even more important in order to cope with global challenges, to conserve global public goods and to move a step closer towards achieving the Millennium Development Goals agreed to by the international community of states by 2015.⁵⁴⁵

The countervailing forces against globalisation in industrialised countries (rise of nationalist movements, resistance of those who stand to lose socially through the global changes in industrialised countries, socio-cultural reactions) could be reduced in the medium term to a non-destabilising, manageable level by accompanying measures on the part of the countries affected (e.g. more restrictive immigration policy, targeted employment and social policy). They will not prevent the continuous trend towards liberalisation and globalisation. In non-western cultures the economic aspects of the liberalisation process will in the first place continue to gain in significance. The trend towards greater democracy should continue, but values such as individualism and human rights and democracy as well as social pluralism will often continue to be introduced and implemented only at a superficial level.⁵⁴⁶ An actual clash of civilizations will not take place.

The rapid expansion of the world economy, particularly in South and East Asia, has led to an increasing demand for all kinds of raw materials; even the global steel industry, previously a crisis-ridden industry, is now booming. Energy, first and foremost in the form of fossil fuels, will continue to be available in the foreseeable future, even though prices are tending to increase.⁵⁴⁷ The consequences for the world climate are foreseeable: Research indicates that the consequences of climate change⁵⁴⁸ are becoming increasingly noticeable, while there will be a slow turnaround in the reduction of the ozone layer⁵⁴⁹ in the stratosphere. The reduction and destruction of bio-diversity will continue around the world, and there will be difficulty in implementing protective measures.⁵⁵⁰ The pressure on the eco-system will increase (deforestation, water pollution or dwindling water resources in part of the world, and spread of dangerous chemicals). Overall, a global trend towards sustainability for handling all kinds of resources will only prevail in the long term, and gradually take effect. In the meantime, significant progress has been recorded primarily in the developed world, which is due in part to the transfer of resource- and energy-intensive industrial manufacturing branches in the newly-industrialised countries. Some partially dramatic deterioration of the environmental situation has been reported in these countries.⁵⁵¹ International agreements and guidelines will only come about or be extended under considerable pressure, or be implemented at national level only if growing prosperity promotes a reorientation towards sustainability. Further reforms and the reorientation of international organisations (in particular the WTO, the regional development banks and the Bretton Woods institutions) towards the introduction of social, environmental and sustainability clauses are proceeding slowly and only partially.⁵⁵² In the medium to long term, the expansion of international environmental rules and the development of resource-sparing technologies might have an impact particularly if, in the interplay between increasing pressure to act on environmental matters, cost pressures on traditional raw materials and cost-reducing technical advances in key areas, lead to an opening of new markets and increasing global competitive advantages result for the suppliers of such new resources and products.⁵⁵³ However, a target-oriented presupposes that adjustments including effective environmental policy conditions and in particular ecological tax reforms are pursued not only on a global level, but also in individual regions and countries.⁵⁵⁴

The dynamics of global organisations with universal membership will continue due to the new latitude available since the end of the Cold War. The WTO, the World Bank and the International Monetary Fund will keep their important role, despite massive criticism, not least because the US and the EU and other large states would like to continue to use these organisations as a framework for their own political efforts. All multilateral forums must continue to stand the test of time in view of the rapidly changing international landscape. The United Nations will remain the most important world forum, especially in the fields of peacekeeping, development and environment. A reform of the United Nations is underway, but will not result in massive institutional changes. Significant pressure for reform will therefore continue to exist. A growing number of increasingly globally networked non-governmental players (civil society) will come to be included in the

Countervailing Trends to Modernisation and Liberalisation:

Accompanying measures limit impact
Slow and partly selective adoption of democratic values
No clash of civilizations

Additional pressure on the environment and raw materials:

Growing consumption of fossil fuels and increasing demand for all types of raw materials
Global environmental damage increasing
Pressure on ecosystem rising
Trend towards sustainability mainly long term in many parts of the world
Slow reorientation of international organisations and gradual implementation in individual countries
Expansion of international environmental rules and resource-sparing technologies contribute to problem solving
Effective environmental policy conditions and environmental tax reforms continue to be vital

World order and international organisations:

Continuing global role of IMF, WTO, World Bank, sustained significance of the UN and integration of the global civilian society network
Current tendency toward unilateralism and extra-territorialism (US and EU) and propensity of both

trading blocks to find bilateral solutions
Increasingly multi-polar world order due to the rise of the large Asian countries and Russia's recovery

conferences of international organisations. There are, however, also countervailing trends to the dynamics of the global organisations: Tendencies towards unilateralism, smaller ad-hoc groups (minilateralism), and extraterritorialism of large states and blocks. The US military and economic supremacy after the end of the Cold War (Unipolar Moment⁵⁵⁵) led the last superpower with a tendency to act unilaterally, to abstain from or even seek to prevent multilateral projects (International Criminal Court, ICC) it does not approve of. However, faced with the difficulties in Iraq, even the United States has come to understand that unilateralism in an increasingly complex and interdependent world has its limits. The gravitational force of the large trading powers (US and EU) gives the domestic regulations of their markets in an increasing number of areas (competition regulation, product regulations, protection of intellectual property, corporate governance, etc.) an extra-territorial effect not to be underestimated that other countries submit to. Regulating problems bilaterally, i.e. at multilateral forums, will become increasingly worthwhile for the United States and the European Union, especially in economic areas. American supremacy's unilateral moment in international relations will come to an end at the latest with the rise of the large South and East Asian states, and will need to make way for new forms of collective responsibility. In this new world order, China, India and a newly strengthened Russia will need to assume a significant role together with the United States, the European Union and the large states in Latin America. What this multipolar organisation will look like and how and when it will be set up, is still open to question.

Regional Integration Processes:

In the coming years slow and continual development and intensification of forms of regional cooperation, primarily in Europe and America, then also in Asia EU as special case – with a certain signal effect for other regions

Regional integration processes will progress in response to the accelerating processes of globalisation, in the medium term equally in Europe and in part on the American continent and in Asia. Over forty years of experience of Western European integration indicates, however, that genuine economic and political integration processes are difficult and require a certain amount of cultural and economic homogeneity and a corresponding political will. The last EU enlargement round conducted for the eight central European states as well as for Cyprus and Malta, without prior consolidation, and the rejection of the EU constitutional treaty show that political integration also has limits in Europe. The further development of the European Union should have a certain long-term signalling effect for the propagation of the model for regional political integration, even though the very specific conditions in Europe cannot simply be transferred to other regions. The latter should primarily apply to regions that are dominated by large countries and/or countries with a variety of cultural roots and levels of economic development.⁵⁵⁶

Need for Action among OECD States:

Growing influence of international agreements
Increasing pressure to come up with national reform projects
Basic national changes of system remain unlikely

The large number of international conventions will continue to grow both at a global as well as a regional level and will therefore limit the scope that national states have to act to an even greater extent. The pressure for reform of national policy in the OECD countries will continue to be accentuated in the medium term. There are challenges for the key political areas such as financial and economic policy, employment and social policy, education and research policy, and also climate, environment, energy, transport and spatial planning policy. National reform projects, which cause substantial political change, will continue to be feasible both in competitive as well as in concordance democracies and will be carried through in certain countries with both systems. A basic change of system should remain unlikely in the medium term in the OECD countries.

European Level

European Economic and Monetary Union:

Completed with introduction of the euro in 2002
New dynamism in the single market and high appeal for globally-minded investors
Increasing locational competition all over Europe

The European Economic and Monetary Union came into being on schedule in 1999 and the euro was introduced according to plan on 1 January 2002 as legal tender in all twelve participating Member States. On 1 January 2007, Slovenia became the first of the new member states and the thirteenth country overall to adopt the euro. The European single market has thus taken on clearer contours than was previously the case. In addition to the USA and ahead of Japan, the European Union with almost 500 million consumers, many of which have a great deal of purchasing power and an increasing number of which using the euro as their means of payment, has become the most important internal market worldwide.⁵⁵⁷ Increasing competition and additional economic restructuring processes can be expected all over Europe, with corresponding additional pressure (locational competition) on various policy areas of individual countries (employment policy, social policy, etc.).

NATO, together with the EU, will remain a stabilising power factor, complemented by the mechanisms of the OSCE. Military conflicts in Western and Central Europe have become highly unlikely; on the other hand, there is still instability in South Eastern Europe (Transnistria, Caucasus). The enlargement of NATO will take it further away from its original role as an instrument of collective defence, and more towards a military arm of structures for collective security outside the NATO area (out of area). The effects of this change both internally and externally cannot yet be fully assessed.⁵⁵⁸ In any case, NATO will continue to remain important as the basis for transatlantic partnership and, due to this reason will not be called into question by any member. The EU is becoming increasingly able to act in foreign policy matters and its global political importance is expected to rise, but will continue to be less significant than its economic importance: The EU is not a military power, but rather a civilian power. The EU has consolidated its security policy strategy over the past few years; it continues to consider crisis prevention, and not defence, as its most important security policy task outside of the EU area. The EU and NATO will also collaborate more intensively on the operative level.⁵⁵⁹

Role of NATO:

Remains a stabilising power factor in Europe and beyond for the slow change of roles

Foreign policy weight of the EU gradually gaining in importance

Some 20 years after “perestroika” and 15 years after the foundation of the new Russian state, Russia remains a country in a state of upheaval. Its economy has stabilised and it has become increasingly influential due to its raw materials, however in terms of regulatory policy it is still far from achieving the goal of a democratically governed pluralistic society and a functioning market economy.⁵⁶⁰ Two trends have been identified in the countries of the former Soviet Union: Economic and political transformation and reforms in one group (the Baltic States, Ukraine and Georgia), maintenance or even restoration of autocratic rule in the other group (Belarus, Azerbaijan and Central Asia). The slow reorganisation of Europe will also be accepted by Russia. The accession to the EU of eight Central and Eastern European states together with Malta and Cyprus took place in 2004. Two further Eastern European countries (Bulgaria and Romania) followed at the start of 2007. Turkey is an official candidate for EU membership, however, negotiations with EU will require a considerable amount of time (ten years are realistic) and the outcome remains open. The circumstances in the Balkan states are similar; apart from the EU membership of Slovenia, membership negotiations with Croatia are under way, and Macedonia is a candidate for EU membership. The other states of former Yugoslavia such as Albania have at most a prospect of EU membership in the more distant future. Overall, the eastern enlargement and prospect of EU membership have a noticeable stabilising effect in Eastern and Southern Europe. The successful handling of enlargement, however, requires the success of the planned institutional and political reforms (of agriculture, structural, and budgetary policies). However, due to the fact that the EU had to implement these reforms only to a small extent before the enlargement to include twelve new members, but for the most part following the enlargement and subject to the rules agreed in Nice, the process is becoming immensely complicated.⁵⁶¹

Reorganisation of Europe:

Inclusion of Russia and the CIS states in the European security system

Stabilising effect of the EU eastern enlargement; this is carefully and gradually being developed further

Handling the EU eastern enlargement has complicated the EU's process of structural reform

Overall, economic growth in Europe will remain unchanged, possibly experiencing a slight increase due to structural reforms in the large countries.⁵⁶² The rapid changes in the global economy put continuing pressure on Europe to make structural reforms; In addition, the demographic change creates an additional need for reform in social security systems. The growth momentum of the large Asian countries is both an opportunity (in the area of export industries) and a challenge (in traditional industries such as the textile industry, consumer goods, heavy manufacturing, and increasingly also the automobile industry) for the European economy. Unemployment should, apart from economic fluctuations, remain on average at a relatively high level (around 8.8 per cent for the EU-25, 6.4 per cent for the OECD countries).⁵⁶³ Measures and reforms in employment policy are being carried out, however, technology-related productivity increases and extensive changes of structure as part of increasing competition – in particular in the expanding common economic area of the EU and also in view of the continuing globalisation trends – are reducing the scope for a noticeable decrease of unemployment.

Economic development:

In the medium term constant, or at best slightly improved economic growth

Unemployment to remain at a relatively high level

Large migratory movements are occurring primarily within newly industrialised countries (from the country to large cities) as well as from these countries (China, India, the Philippines, Latin America and the Caribbean) to the rich and developed countries worldwide, located in the Gulf States, North America and Europe. Migration is also expected to

Migration:

Primarily from the large newly industrialised countries to the developed world,

i.e. North America, Europe and the Gulf States

Migration levels have remained relatively low within the EU

increase between developed countries, in particular within the EU, due to the free movement of persons (from East to West). However, in comparison with other parts of the world, this migration is still marginal. From a demographic and economic point of view, migration also has positive effects (e.g. because labour mobility important for the functioning of the single market). Migration does, however, generate social and political problems that require significant efforts to handle.

Technological-economic competitiveness:

The traditional weaknesses of the European innovation system will only be remedied slowly, while the strengths have not changed
Individual states of Europe lead the world in certain industries and services

Asia is increasingly becoming a standard of comparison in the technology competition

The traditional weaknesses of the European innovation system such as a comparatively limited ability to translate scientific results into industrial and commercial successes, low productivity growth, and low dynamics in the most important growth generators will possibly be overcome; the European Union is making the appropriate efforts with the Lisbon initiative.⁵⁶⁴ The advantage held by the United States in the field of information technologies in the strict sense will, however, be maintained. The United States and the leading European countries (especially Scandinavian countries) have similar competitiveness rankings.⁵⁶⁵ Certain European countries are world leaders in specialist fields, such as in financial services (private banking) and reinsurance, tourism or in the case of consumer goods in the luxury category and in design. Liberalisation efforts regarding educational services that form part of the GATS are also particularly relevant for the EU and Switzerland. US universities are at the top of the ranking lists; however, European educational establishments are close behind and are becoming increasingly attractive as service providers. However, substantial efforts still need to be made in this area. In terms of technology, European automobile and mobile phone companies are in the lead. In civil aircraft manufacturing, Europe and the United States share the leading position. In the area of renewable energy as well, the EU is gaining increasing advantages over the United States. The large Asian countries with China and India in the lead are making huge efforts to catch up with the United States and Europe on the technological front, namely by conducting large-scale offensives to secure a larger share of university level training services. In view of the very large number of trained engineers, this will also be a real challenge for Europe in the future.

Environmental Pollution:

Development in accordance with trends will lead to increasing consequential costs and growing pressure to act on the environment

Progress towards ecological tax reform are being carried out at the most by some EU member states

European countries will succeed in maintaining comparatively strict regulations on environmental matters and will also increasingly succeed in implementing them. However, it will continue to be difficult to establish corresponding provisions in the international institutions⁵⁶⁶, so that the high level of regulation in Europe does not become a locational disadvantage. Growth rates for traffic and energy consumption will increase consequential costs in Europe over the next ten years and will further increase the pressure to act in energy and environment policy.⁵⁶⁷ These trends may well be accentuated as a result of Economic and Monetary Union. A variety of political forces are striving to give the EU a pioneering role in the implementation of ecological tax reforms, but it is not certain that this can be achieved in the medium term, due to the increasing fiscal and regulative pressure that also gives rise to resistance. The sustainable development model that is aimed for may only be achieved gradually and in the long term. For the time being, it is, however, expected that further progress can be made at the level of individual Member States.⁵⁶⁸

Social Development:

In the medium term continuation of key significance of social policy for social and political stability in Europe
Pressure to make balanced reforms

Major national differences in social policy and in social security systems remain

Close relationship between the national level of prosperity and the level of expenditure on social services

In the medium term, only small overall change in social expenditure levels

The still relatively high unemployment and increasing demographic ageing will continue to accentuate the pressure on the social insurance systems of Europe in the medium term. As a result of increasing single market growth, expansion into Eastern Europe and of the increasingly rapid change in economic structures, it will be of crucial significance to social and political stability and public acceptance of the European integration process that the national social security systems are sufficiently cushioned against structural change. The pressure for major reforms in Europe should not only be directed in the future towards increasing efficiency and relieving the financial burden on the public budget but also towards increased social integration and cohesive ability.⁵⁶⁹ Future socio-political development in Europe will therefore continue to be heavily characterised by the interests of its nation states; a standardised social security system throughout Europe is not foreseeable for a very long time, because it is not financially feasible and has not been provided for in the European Agreements.⁵⁷⁰ The EU is nevertheless striving to usher in a tendency that should through the use of the open coordination method ultimately lead to a certain convergence.⁵⁷¹ Due to the varying requirements in individual countries (level of prosperity, growth of unemployment, demographic ageing processes, ability to reform),

there will, however, continue to be considerable differences in the level and structure of social security systems. Convergence tendencies in relation to the level of expenditure on social services should only result in a slow equalisation of the levels of prosperity among countries in the long term.⁵⁷² Along the same lines, the future growth of expenditure on social services in Central and Eastern non-EU countries will be closely linked to their economic success. Overall, the level of expenditure on social services in Europe will barely change in the medium term.⁵⁷³

Spatial development in Europe continues to be in a state of upheaval. Following economic integration, the role of major metropolitan regions will be strengthened and the process of linking urban areas will continue. In general, European spatial development will be characterised by a gradual decline in disparities between countries, but also by an accentuation of differences within countries. Economically weak rural and peripheral areas are lagging behind in their development. Border regions are increasingly merging with each other. Of special importance to Switzerland is the fact that the bordering European regions such as Lombardy, the Rhone Alps, Baden-Württemberg, Bavaria as well as Vorarlberg are among the most dynamic regions in Europe. The economic advantages of being located at the heart of Europe will remain, together with the disadvantages associated with the high burden of traffic. The upheaval in Eastern Europe and the eastern enlargement of the EU has put Austria, in particular, in an advantageous position in terms of economic geography. This has hardly created any disadvantages for Switzerland, but rather has provided economic stimulus to yet another region (Vorarlberg and the Rhine Valley of St. Gallen).

An important determinant of spatial development in Europe is the spatial planning policy of EU, which is beginning to take shape. In addition to major efforts of regional policy to reduce disparities, the transport policy should be mentioned, with considerable investment being made in TEN (Trans-European Networks),⁵⁷⁴ EUREK (European Spatial Development Perspective) and the common initiative INTERREG. These promote firstly cross-border cooperation, and also supra-regional integration, such as that of the Alpine Space programme that covers the Alps and surrounding areas.⁵⁷⁵ Critical (cross-border) Infrastructure Protection is an issue that will gain importance at European level. In November 2005, the European Commission submitted a green paper on a European programme for Critical Infrastructure Protection,⁵⁷⁶ which triggered an informal consultation process also allowing the participation of Norway and Switzerland (in addition to the EU Accession States Bulgaria and Romania). There is a special focus on energy infrastructure security. In March 2006, the European Commission published a green paper on the European Strategy for Sustainable, Competitive and Secure Energy.⁵⁷⁷ This will give Switzerland greater prominence as a crucial transit country for electricity within the trans-European grid system. Further important areas of transboundary critical infrastructure include transport, communication and finance. Over the last twenty years, the EU has gradually opened its road and rail transport markets. The land transport agreement between Switzerland and the EU made it possible for Switzerland to become involved in these developments. These new opportunities for market access as well as further developments in this area are crucial for Switzerland's attractiveness and competitiveness as a location for business. If the current trend continues, future growth in freight traffic volume will occur mainly on the road. The European Commission anticipates the following figures in its scenario for up until 2010: roads, 47.4 per cent, waterways, 43.8 per cent, rail, 6.8 per cent. Switzerland's aim to transfer transalpine freight traffic from road to rail is therefore all the more important.⁵⁷⁸

Globalisation, i.e. increasingly open borders, greater mobility, reliable means of communication, of the increasing traffic in goods and services and the globally rising mobility of capital favour the spread of organised crime and terrorism in Europe as well as throughout the world. The dividing line between the two is often blurred. In the future it is expected in particular that organised crime will become more heavily established within the legal economy and will increasingly penetrate the financial markets. In addition, increasing use is being made of the new technologies. International terrorist networks are also taking advantage of the above-mentioned opportunities. Following the spread of organised crime, the problem of corruption could become more serious in Europe. In

Spatial Development:

Urban regions increasing
Switzerland surrounded
by the most dynamic
regions in Europe
EU eastern enlargement
intensifies the trend

European spatial planning policy:

Will have an influence
on development
Promotes trans-European
networks and spatial
development perspectives
The protection of critical
infrastructure is becoming
a key issue
The liberalisation of
transport markets ensures
rapid growth, especially
for road traffic
The transfer of transalpine
heavy goods traffic from
road to rail has become
even more important

Terrorism and organised crime:

Danger of spreading further
throughout Europe
Penetration of the legal
economy and the financial
markets
Increased risk of
corruption

Joint efforts on the part
of all European countries,
growing cooperation

certain Eastern European countries and in Russia, privatisation processes have created favourable conditions for criminal gangs to establish themselves in the legal economy. The infiltration of government administrations and politics by criminal elements has in some areas become a serious problem in these countries. These organisations have also spread to Western Europe. Some CIS states and partly lawless regions in the Balkans are also expected to serve as a base of operations and retreat area for organised crime. They have directly affected Switzerland, both as a market (for example, for drugs and prostitution) and as a recruitment and organisation centre (minorities of population groups living in Switzerland), and as a final destination for illegal funds. The EU and all other European countries are making great efforts to get to grips with problems related to international terrorism and organised crime.⁵⁷⁹

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A.3 Forward Planning Staff of the Federal Administration, Composition of the Accompanying Group

* = Member of the Forward Planning Staff Committee

Chair of Forward Planning Staff:

A. Nietlisbach*, Federal Chancellery (until 30 November 2006)
Dr. L. Cascioni*, Federal Chancellery (from 1 December 2006)

Forward Planning Staff Secretariat:

E. Madl*, Federal Chancellery

Strategic management:

Dr. Ch. Furrer, Federal Chancellery

International relations:

Dr. D. Cavegn*, Policy Planning Centre, FDFA

European integration:

F. Filliez*, Integration Office FDFA/FDEA

Development cooperation:

M. Fässler*, Swiss Agency for Development and Cooperation

Equality:

P. Schulz, Federal Office for Gender Equality

Health:

Dr. S. von Geyrerz, Federal Office of Public Health

Statistics:

R. Meier*, Federal Statistical Office (economy, state, social issues)
Dr. W. Haug, Federal Statistical Office (demography)

Social security, social policy:

L. Gaertner*, Federal Social Insurance Office

Education and science:

Dr. G. Escher, State Secretariat for Education and Science
P. Vock, Centre for Science and Technology Studies

Institutions and constitution:

Dr. W. Bussmann, Federal Office of Justice

Migration:

M. Braun, Federal Office for Migration

Security policy:

Dr. B. Walther*, General Secretariat DDPS

Finance and budgetary affairs:

A. Pfammatter*, Federal Finance Administration

Economic policy and labour market:

Dr. P. Balastèr*, State Secretariat for Economic Affairs

Regional policy:

R. Schiess, State Secretariat for Economic Affairs

Professional education and technology:

Prof. Dr. B. Hotz-Hart, Federal Office for Professional Education and Technology

Agriculture:

J. Chavaz, Federal Office for Agriculture

Housing policy:

Dr. E. Hauri, Federal Office for Housing

Transport:

P. Schmid, Federal Office for Spatial Development

R. Marti, Federal Roads Office

Energy:

Dr. P. Previdoli, Federal Office of Energy

Communications:

Dr. N. Schwab Christe, Federal Office of Communications

Environment:

Dr. A. Mohr*, Federal Office for the Environment

Spatial planning, sustainable development:

Prof. Dr. D. Wachter*, Federal Office for Spatial Development

Culture:

Dr. T. Moser*, Federal Office of Culture

Human resources:

T. Schmutz, Federal Office of Personnel

National Economic Supply:

F. Burkhalter, Federal Office for National Economic Supply

A.4 Endnotes

- 1 Cf. [Eidg. Volkswirtschaftsdepartement. Der Wachstumsbericht. Determinanten des Schweizer Wirtschaftswachstums und Ansatzpunkte für eine wachstumsorientierte Wirtschaftspolitik. Grundlagen der Wirtschaftspolitik Nr. 3D, Studienreihe des Staatssekretariats für Wirtschaft. Bern 2002], [D. De Pury, H. Hauser, B. Schmid (Hrsg.). Mut zum Aufbruch. Eine wirtschaftspolitische Agenda für die Schweiz. Zürich 1995].
- 2 Cf. [Eidg. Volkswirtschaftsdepartement. Der Wachstumsbericht. Determinanten des Schweizer Wirtschaftswachstums und Ansatzpunkte für eine wachstumsorientierte Wirtschaftspolitik. Grundlagen der Wirtschaftspolitik Nr. 3D, Studienreihe des Staatssekretariats für Wirtschaft. Bern 2002].
- 3 Cf. [Schweizerischer Bundesrat. Europabericht 2006 vom 28. Juni 2006. BBI 2006 6815], [Bundesamt für Wirtschaft und Arbeit (Hrsg.). Wirtschaftliche Untersuchungen zum Integrationsbericht 1999. Zusammengefasst in: A. Müller, R. van Nieuwkoop. Expertenbericht zum Integrationsbericht 1999. Die längerfristigen Vorteile eines EU-Beitritts. Die Volkswirtschaft 9/2000.]
- 4 Cf. [Schweizerischer Bundesrat. Botschaft zur Agrarpolitik 2007, Botschaft zur Agrarpolitik 2011, Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946, see in particular p. 3962: Measure 1: WTO und Nachhaltige Entwicklung].
- 5 Cf. [Staatssekretariat für Wirtschaft. Bericht zur Dienstleistungsliberalisierung in der Schweiz im Vergleich zur EU. Grundlagen der Wirtschaftspolitik Nr. 12D. Studienreihe des Staatssekretariats für Wirtschaft. Bern 29. November 2005.]
- 6 Cf. [World Economic Forum. Global Competitiveness Reports. Diverse Jahrgänge, Oxford].
- 7 Cf. [Eidg. Steuerverwaltung. Steuern als Standortfaktoren. Reformbedarf für die Schweiz. Schlussbericht der Arbeitsgruppe "Standortstudie". Bern, 1. Juni 2001, S. 17 ff]; [Peter Birch Sørensen. Can Capital Income Taxes Survive? And should they? Copenhagen August 2006, S. 7 ff]. For a discussion of empirical literature, see [P. A. Bruchez, Ch. Schaltegger. International Tax Competition and Trends in Tax Policy: Some Implications for Switzerland. Eidg. Finanzverwaltung und Eidg. Steuerverwaltung. Bern 2005].
- 8 Cf. [Eidg. Finanzdepartement. Internationale Standortattraktivität der Schweiz aus steuerlicher Sicht. Bericht vom 1. Februar 2006 zu Handen des Bundesrates. Bern 2006]. The study published by KPMG Fides on corporate taxation in 60 countries shows that locational competition between countries is increasing not least as a consequence of globalisation. The highest tax bands in third world and NICs tend on average to be far lower than in OECD countries. Locational competition in Europe has however intensified significantly in recent years.
- 9 Switzerland is prepared to achieve an efficient solution on the basis of a paying agent tax, but not through an automatic exchange of information. Switzerland is also willing to seek solutions together with the EU to strengthen efforts to combat fraud in the trade in goods.
- 10 Cf. [Eidg. Finanzdepartement. Kennzahlen zum Finanzstandort Schweiz. Aktualisiert im Dezember 2006. http://www.efv.admin.ch/dokumentation/downloads/publikationen/Kennzahlen_d.pdf].
- 11 Cf. [Eidg. Finanzdepartement. Finanzplatz und Finanzmarktpolitik Schweiz. Bern September 2006. http://www.efv.admin.ch/dokumentation/downloads/publikationen/Finanzplatz_d.pdf], [Eidg. Finanzdepartement. Richtlinien für Finanzmarktregulierung. Vorgaben für eine verhältnismässige, kostenbewusste und wirksame Regulierung des Finanzmarktes. Bern September 2005.] EFD – Richtlinien für Finanzmarktregulierung
- 12 Cf. [Staatssekretariat für Wirtschaft, Bundesamt für Migration, Bundesamt für Statistik. Auswirkungen der Personenfreizügigkeit auf den Schweizer Arbeitsmarkt – Zweiter Bericht des Observatoriums zum Freizügigkeitsabkommen Schweiz-EU für die Periode vom 1. Juni 2002–31. Dezember 2005. Bern 29. Juni 2006.] After three years of the agreement on the free movement of persons with the EU15/EFTA, experiences on the Swiss labour market have been positive. Immigration has developed in a controlled manner and in line with the needs of the Swiss economy. While more people have arrived from the EU15/EFTA area, immigration from third countries has fallen, which fits in with the governments migration pol- icy aims. Despite weak cyclical labour market development, negative consequences for the domestic workforce have largely been avoided. The greatest immigration of workers from the EU15/EFTA manifested itself in sectors in which Swiss were also able to benefit, which also implies that the domestic workforce has not been pushed out of the market. The unemployment rate among Swiss nationals has also developed in line with the economy and no deflationary wage effects have been identified in connection with the free movement agreement. The checks which form part of the accompanying measures have also revealed that pay and working conditions have largely been complied with.
- 13 Cf. [Y. Flückiger et. al. Analyse der Ausdehnung der Personenfreizügigkeit auf die neuen Mitgliedsländer der Europäischen Union in Bezug auf den Schweizerischen Arbeitsmarkt. Bundesamt für Migration (Hrsg.). Bern 2005], [A. Brunetti. Ökonomische Auswirkungen der EU-Erweiterung auf die Schweiz. In: Die Volkswirtschaft 3/2004 sowie weitere Beiträge in der gleichen Ausgabe der Volkswirtschaft].
- 14 Cf. [R. Kappel, O. Landmann. Die Schweiz im globalen Wandel. Aussenwirtschaftliche und entwicklungspolitische Herausforderungen. Zürich 1997, S. 142 ff.].
- 15 On the one hand patents act as an incentive for innovation by providing the possibility of preventing third parties from obtaining commercial gain from the invention and thus allowing the inventor to recoup the costs incurred in developing the product and to make a profit. Without the protection afforded by patents, private companies would not be willing to invest in research and development. On the other hand, patent protection grants the patent holder an almost monopolistic position for a certain amount of time, which is open to abuse by hindering competition.
- 16 While in the USA a large number of young scientists and engineers often set up their own business in the form of spin-offs right after graduating, thereby commercialising their scientific know-how, this happens far too little in Switzerland – as in the rest of Europe. In the USA, 75 per cent of graduates strive to become entrepreneurs, in Europe that figure is a mere 8 per cent.
- 17 Cf. [Schweizerischer Bundesrat. Botschaft zur Vereinfachung des unternehmerischen Alltags und administrative Entlastung vom 8. Dezember 2006. BBL 2007 315], [Schweizerischer Bundesrat. Vereinfachung des unternehmerischen Alltags. Bericht vom 18. Januar 2006] The report contains a plan of action with over 100 measures for reducing the administrative burden. Switzerland is well placed in international comparison. KMU Portal – Simplifier la vie des Entreprises].
- 18 Cf. [Hochschule für Gestaltung und Kunst Zürich. Kultur. Wirtschaft. Schweiz. Das Umsatz- und Beschäftigungspotential des kulturellen Sektors. Zürich 2003.] Switzerland's first cultural economic report points to the great economic importance that culture has: Culture is an important part of the economy, which in terms of its dynamism is every bit comparable to other sectors (total turnover of CHF 17bn employing some 82,000 people).
- 19 Cf. [Schweizerischer Bundesrat. Europabericht 2006. 28. Juni 2006. BBI 2006 6815].
- 20 For key statistical data on this section see [Bundesamt für Statistik. Der Arbeitsmarkt im internationalen Vergleich. Neuchâtel 2005]
- 21 For international comparisons, the standardised ILO inactivity rate is better suited than unemployment rate, as the latter is heavily dependent on the nature of unemployment insurance legislation.
- 22 Cf. [Bundesamt für Statistik. Schweizerische Konferenz der kantonalen Erziehungsdirektoren. PISA 2003 – Kompetenzen für die Zukunft. Erster nationaler Bericht. Neuchâtel, Bern 2004].
- 23 Cf. [B. Weber. Jugendarbeitslosigkeit in der Schweiz. In: Die Volkswirtschaft 10/2004].
- 24 Cf. [Bundesamt für Statistik. Szenarien zur Bevölkerungsentwicklung der Schweiz 2005–2050. Neuenburg 2006].
- 25 In 2004 the European Union was enlarged by the ten following member states: Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, the Czech Republic, Hungary, Malta and Cyprus.
- 26 As the protocol only entered into force on 1 April 2006, no representative data is as yet available, so no quantitative statements are possible.

- 27 Cf. [Bundesamt für Statistik (BFS), Die schweizerische Lohnstrukturhebung 2004, Resultate auf nationaler Ebene. Seite 27 ff. <http://www.bfs.admin.ch/bfs/portal/de/index/themen/03/22/publ.Document.77662.pdf>]
- 28 Cf. [W. Aeberhardt, M. Schläpfer. Ältere Arbeitnehmende und Wirtschaftswachstum. In: Die Volkswirtschaft 4/2006 sowie weitere Artikel in der gleichen Ausgabe der Volkswirtschaft].
- 29 Cf. [A. Küng Gugler. Vereinbarkeit von Beruf und Familie – eine sozioökonomische Herausforderung. In: Die Volkswirtschaft 11/2004 sowie weitere Artikel in der gleichen Ausgabe der Volkswirtschaft].
- 30 Cf. [Eidg. Büro für die Gleichstellung von Frau und Mann. Wie ist die Arbeit zwischen den Geschlechtern verteilt? Bern 2002], [Bundesamt für Statistik. Satellitenkonto Haushaltsproduktion. Pilotversuch für die Schweiz. Neuenburg 2004]. The study estimates the monetary value of unpaid work and shows that the gross value added of households accounts for at least 40 per cent of the extended overall economy.
- 31 Cf. [Bundesamt für Statistik (Hrsg.): Armut von Personen im Erwerbsalter – Armutssquote und Working-Poor-Quote der 20- bis 59-jährigen Bevölkerung in der Schweiz zwischen 2000 und 2005, BFS Aktuell, Neuchâtel 2007. <http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.Document.89824.pdf> <http://www.bfs.admin.ch/bfs/portal/fr/index/news/publikationen.Document.89827.pdf>].
- 32 Cf. [FAA Universität St. Gallen. Eine empirische Analyse der Arbeit auf Abruf in der Schweiz. SECO Publikation – Arbeitsmarktpolitik No 11. Bern 2004], [ECOPLAN. Prekäre Arbeitsverhältnisse in der Schweiz. SECO Publikation – Arbeitsmarktpolitik No 9. Bern 2003].
- 33 The list of least developed countries (LDC) was updated on 1 April 2004. Senegal was added while Bosnia-Herzegovina, Albania and Malta were removed from the list, which now contains 49 countries.
- 34 Bulgaria, Chile, Croatia, Israel, Jordan, Lebanon, Macedonia, Mexico, Morocco, Gaza and the West Bank (Palestinian Authority), Romania, Singapore, Tunisia, Turkey, South Korea and South Africa.
- 35 Cf. [Eidgenössisches Volkswirtschaftsdepartement EVD/Eidgenössisches Departement für auswärtige Angelegenheiten EDA. Informationsblatt Freihandel Schweiz-EU im Agrar- und Lebensmittelktor, Bern, Juni 2006]. On 10 March 2006, the Federal Council acknowledged the test report produced by the FDEA and FDFA on the feasibility and economic advantages and disadvantages of a free trade agreement with the EU on agricultural products. On the basis of the outcome of soundings with interested circles, the Federal Council decided on 27 June 2006 to seek exploratory talks with the EU on a comprehensive agricultural free trade agreement.
- 36 Cf. [Prof. Dr. Markus F. Hofreither. Anpassungsprozesse der österreichischen Landwirtschaft als Folge des EU-Beitritts. Die Volkswirtschaft 9/2006, S. 23 ff.].
- 37 Cf. [Bundesamt für Landwirtschaft. Agrarbericht 2005. Bern 2005]. The sixth agriculture report by the FOAG set out the results of indicators based on the federal government's sustainability concept. Statements were made on the three dimensions of sustainability regarding the areas of resources, efficiency and fairness. In the areas influenced by agriculture policy, developments since 1990 have largely been positive. Labour productivity improved annually between 1990 and 2004 by 1.4 per cent and adequate investment was also made in order to maintain buildings, machinery and equipment in the long term. There was no improvement however in the wage gap in agriculture to the rest of the population. This is around 40%. There were positive developments from the point of view of sustainability in ecological indicators on biodiversity, plant health products, phosphorous and nitrogen. No improvement was observed however in terms of energy use.
- 38 Cf. [Schweizerischer Bundesrat. Botschaft zur Weiterentwicklung der Agrarpolitik (Agrarpolitik 2011) vom 17. Mai 2006. BBI 2006 6337]. The dispatch contains a partial revision of the Agriculture Act, a Federal Decree on the financial resources for agriculture in the years 2008–2011, amendments on rural land rights, agricultural tenancy rights, and the Federal Act on Family Allowances in Agriculture, the Foodstuffs Act and the Act on Epizootic Diseases. The proposed measures can be subdivided into five areas: 1. Improving the competitiveness of production and processing – by shifting market support resources to direct payments and through cost reducing measures. 2. Ensuring the overall economic performance of agriculture with a targeted direct payments system and promoting further ecological developments. 3. Promoting the value added and sustainable development of rural areas – by expanding the possibilities for product differentiation and investment assistance and by supporting community project initiatives. 4. Cushioning structural change in a socially-acceptable manner by easing rural land and tenancy law. 5. Simplifying administration and better coordinating controls.
- 39 The dispatch on the further development of agriculture policy (agriculture policy 2011) envisages a sum of roughly CHF 13.5 bn for the years 2008–2011. That is CHF 500m less than in the period 2004–2007. With the shifting of market assistance, the financial means for production and sales further lose their importance. Direct payments on the other hand make up around 83 per cent of the financial resources spent on agriculture.
- 40 Cf. [Eidg. Volkswirtschaftsdepartement. Strategie der wirtschaftlichen Landesversorgung (vom Bundesrat am 15. Oktober 2003 zur Kenntnis genommen)]
- 41 Compulsory stocks in include: Cereals, rice, sugar, edible oils and fats, coffee, fertilizer, therapeutic products (antibiotics), liquid fuels.
- 42 Cf. [B. Hotz-Hart et al. Exzellent anders! Die Schweiz als Innovationshost. Zurich 2006].
- 43 Cf. [Mauch Consulting. Politik der nachhaltigen Entwicklung in der Schweiz, Standortbestimmung und Perspektiven. Bern 2001. Bildungs- und Wissenschaftspolitik, p. 93 ff.].
- 44 In the terms of the Lisbon Strategy (May 2000) the EU intends to become the most dynamic and competitive knowledge-based economic area in the world by 2010. With its motto "More research for Europe" under the Barcelona Goals (September 2002) the EU's R&D spending should be increased to 3% of GDP and the private sector's share in R&D financing to two-thirds by 2010. Other countries in Europe comparable with Switzerland, such as Sweden (4%, 2003) or Finland (3.5%, 2004), have already reached this goal. Our neighbours France, Germany and Austria plan to reach it by 2010. In Switzerland spending on R&D amounts to 2.9% of GDP, 69.7% of which is from the private sector (2004).
- 45 In China today there are an estimated 360,000 new engineers graduating each year (after a four-year study period) and R&D spending is increasing by just under 25% a year. Source: Business Week.
- 46 Cf. [Bundesamt für Statistik. Wissenschafts- und Technologie-Indikatoren (R&D-Aufwendungen). Neuchâtel, 2006], [Bundesamt für Statistik, R&D (in) der Schweiz, verschiedene Jahrgänge. Finanzen und Personal. Neuchâtel]. Cf. also: [<http://www.bfs.admin.ch/bfs/portal/de/index/themen/15/09/key/ind2.Document.25511.xls>]. In 1989 some 2.7% of GDP was spent on R&D, in 2000 2.6% and in 2004 2.9%. The private sector has in fact been increasing its spending on R&D abroad more than at home. So far this has not weakened Switzerland as a location; on the contrary, it has served to strengthen it. Studies show that R&D abroad complements the private sector's R&D activities.
- 47 Cf. [Bundesamt für Statistik, R&D-Ausgaben der Schweiz 2004. Finanzen und Personal. Neuchâtel 2006].
- 48 Cf. [Schweizerischer Bundesrat. Botschaft über die Förderung von Bildung, Forschung und Innovation in den Jahren 2008–2011 24. Januar 2007. BBI 2007 1223].
- 49 Cf. [Schweizerischer Wissenschafts- und Technologierat. Recommandations concernant la politique suisse de la formation, de la recherche et de l'innovation pour la période 2008–2011, Bern 2006].
- 50 Pure research is geared to the long term and serves primarily to increase awareness. Its direct use is not immediately apparent; it is a long and winding road to an added-value product and to socially relevant problem solving; very rarely is the path linear. High-quality pure research alone is not sufficient for economic wealth, a high standard of living and cultural development but without it there is no basis on which to be able to pursue the goals in question.
- 51 Cf. [Zentrum für Wissenschafts- und Technologiestudien CEST. Scientometrics Scoreboard – Juli 2004 ; Schlüssel-Indikatoren zum Forschungsplatz Schweiz (1981–2002). Bern 2004], [Centre de compétence scientométrie du CEST. La place scientifique suisse entre compétition et coopération 1994–1999: Une contribution à l'“Etat de la recherche suisse” et à la “Topographie de la place scientifique suisse” (Rapport intermédiaire). CEST 2001/12. Bern 2001], [F. Da Pozzo, I. Maye, A. Roulin Perriard, M. von Ins. Die

- Schweiz und die weltweite Champions League der Forschungsinstitutionen 1994–1999 (Zwischenbericht). Ein Beitrag zu einem internationalen Benchmarking: Konzept und erste Resultate. CEST 2001/11. Bern 2001].
- 52 Cf. [Schweizerischer Nationalfonds. Mehrjahresprogramm 2004–2007. Bern o. J.], [Schweizerischer Wissenschafts- und Technologerat. Ein Neun-Punkte-Programm zur Förderung von Wissenschaft und Technologie in der Schweiz. SWTR Schrift 2/2002. Bern 2002], [Rat der schweizerischen wissenschaftlichen Akademien CASS. Forschungshorizont 2010. Vorschläge für Forschungsschwerpunkte in der Botschaft BFT 2004–2007. Bern 2002], [Förderung der Geistes- und Sozialwissenschaften. Schlussbericht der von der Gruppe Wissenschaft und Forschung eingesetzten Arbeitsgruppe. Schriftenreihe BBW 2002/2d. Bern 2002]. The financing of pure research by Divisions I, II and III of the Swiss National Science Foundation has changed very little over the past ten years. In contrast, the financing of applied research has roughly doubled. The Swiss National Science Foundation quantifies the additional need for funds in the period from 2004 to 2007 in comparison with 2003 in terms of pure research at 13% per annum and in terms of promoting young researchers at 15% per annum. This increase is necessary if Switzerland as a research location is to hold on to its relatively good position in international comparison. With regard to the humanities and social sciences, in addition to an improvement in student-teacher ratios there is also the priority of targeted specific improvement of proprietary research by teamwork and cooperation.
- 53 Cf. [Gruppe für Wissenschaft und Forschung / Bundesamt für Bildung und Wissenschaft. Investieren wir genug in den Denkplatz Schweiz? Bildung, Forschung, Technologie: Tour d'horizon und Perspektiven. Pressedokumentation zur Medienorientierung vom 18. April 2002], [M. Von Ins. Grundlagenforschung, angewandte Forschung und experimentelle Forschung im internationalen Vergleich. Schweizerischer Wissenschaftsrat, FER-DT 3/96. Bern 1996], [C. Kleiber. Bildung, Wissenschaft und Kultur: Stützen der Gesellschaft von morgen. Ein Zukunftsvorprojekt für die schweizerischen Hochschulen. Rechenschaftsbericht des Staatssekretärs für Wissenschaft und Forschung über die ersten 100 Tage. Bern 1998. Zum Konzept der "integrierten Hochschule" Cf. p. 18 ff.]. Comparative studies on R&D financing sources in OECD countries show important findings for the public financing surplus, i.e. for the difference between the part of R&D financed by the state and the part conducted by the state. The highest financing surpluses of public bodies are in the USA (15% of total R&D volume) and France (9% of the whole R&D volume). In contrast, Switzerland comes last in these stakes with (behind Japan) the lowest financing surplus of public bodies (0.5% of total R&D volume). This means that for Switzerland there are only small flows of funds between the public and the private sector. These sectors are for the most part independent of each other in terms of the financial flows in question, in sharp contrast to the USA where publicly funded research is conducted almost equally by public and private institutions. The National Centres of Competence in Research (NCCR) make a considerable contribution to strengthening Swiss research in strategically important research areas. Of the 14 NCCRs promised for the end of 2000 to mid 2001, five focus on the life sciences and three on information and communications technologies. Two other ones focus on the social sciences or are interdisciplinary with a strong social science bias. Other NCCRs deal with environment, material sciences, nanoscience and optics. In 2004 a second series of NCCRs were launched that were put out to tender in the social sciences and humanities.
- 54 Cf. [Staatssekretariat für Bildung und Forschung SBF, Bundesamt für Berufsbildung und Technologie BBT (publisher). Strategisches Controlling Botschaft über die Förderung von Bildung, Forschung und Technologie 2004–2007. Zwischenbericht der interdepartementalen Arbeitsgruppe "Strategisches Controlling BFT". Bern 2007]. See findings in chapter 10.
- 55 Cf. [Schweizerischer Bundesrat. Botschaft zur Finanzierung der Beteiligung der Schweiz an den Programmen der EU in den Bereichen Forschung, technische Entwicklung und Demonstration in den Jahren 2007–2013. 13 September 2006. BBI 2006 8107].
- 56 Cf. [Interdepartementaler Koordinationsausschuss für Wissenschaft (IDA-WI). Schweizerische Wissenschaftsaussenpolitik: Konzeptbericht. Bern 1997], [Th. Schöftli. Brain-Drain. Schweizer Wissenschaftler in den USA. FER 184/1998]. For example, the twinning of the towns of Basel and Boston is mainly due to scientific interests; new research priority of pharmaceutical company Novartis in Cambridge, USA.
- 57 Cf. [Hotz-Hart, B. et al. (2006): Exzellent anders! Die Schweiz als Innovationshost. Rüegger Verlag, Zurich/Chur].
- 58 Cf. [Arbeitsgruppe Wissenschaftsaussenpolitik. Elemente einer schweizerischen Wissenschaftsaussenpolitik des Bundes. Bericht der Arbeitsgruppe WAP. Bern 2001], [IDA-WI (Interdepartementaler Koordinationsausschuss für Wissenschaft). Schweizerische Wissenschaftsaussenpolitik. Konzeptbericht 1997]. The four goals of Swiss foreign scientific policy are: adapting the actions of Swiss science to those of the private sector and foreign policy, promotion abroad of Switzerland as a location for science by using more up-to-date means of communication, cooperation with the most developed industrial countries and formulation of a strategy to utilize the scientific potential of developing countries.
- 59 Cf. [Schweizerischer Bundesrat. Botschaft über die Förderung von Bildung, Forschung und Innovation in den Jahren 2008–2011 vom 24. Januar 2007. BBI 2007 1231; p. 1343 ff.]
- 60 Cf. [Direktion für Entwicklung und Zusammenarbeit (DEZA). Ressortforschungsbereich Entwicklung und Zusammenarbeit. Forschungskonzept 2008–2011. Cf. auch: http://www.deza.admin.ch/en/Home/Aktivitaeten/Prozess_Methodenwissen_Forschung/Forschung]. At international level the Swiss National Science Foundation intends to make a special contribution to strengthening scientific research in the badly hit regions of the world by conducting research programmes and promoting research cooperation projects between these regions and Switzerland. At present the Swiss National Science Foundation is working together with the Swiss Agency for Development and Cooperation (SDC) at the Federal Department of Foreign Affairs (FDFA) to conduct the following two programmes, the current status of which is reported in this section: SCOPES 2005–2008: Scientific Co-operation between Eastern Europe and Switzerland (SCOPES Osteuropa) and research partnerships with developing countries (Research partnerships with developing countries). The Swiss National Science Foundation is also involved in or affected by a wide range of international activities which, in some cases, constitute a programme (<http://www.snf.ch/E/international/abroad/Seiten/default.aspx>).
- 61 Cf. [OECD. Managing National Innovations Systems. Paris 1999], [OECD. Benchmarking Industry-Science Relationships. Paris 2002], [B. Hotz-Hart et al. Exzellent anders! Die Schweiz als Innovationshost. Zurich 2006].
- 62 Cf. [Directorate-General for Enterprise and Industry of the European Commission Ed. European Innovation Scoreboard 2005 – Comparative Analysis of Innovation Performance. December 2005 <http://trendchart.org.org>].
- 63 Cf. [Bundesamt für Berufsbildung und Technologie BBT. Evaluation der Kommission für Technologie und Innovation. Bericht Selbstevaluation. Bern 2002, p. 35], [U. Aeberhard, J. Scheller, D. Bachmann. Ein neues Instrument für die Innovationsförderung. Forschungspolitische Früherkennung, Arbeitsdokument DT 5/1996. Bern 1996]. With regard to the shares of investments in pure research (I), applied research (II) and market-oriented development (III) the ratio 1:10:100 can be taken as a rule of thumb. This means that for every franc spent on the implementation of phase II ten francs will be needed for Phase III. A project's need for funds therefore increases geometrically from pure research through to research ready for the market. Firstly, as the application of research findings in Phase II shows, it is clear that the goal of higher transfer "successes" from pure research (Phase I) to applied research (Phase II) requires a well coordinated promotion policy (financially speaking, too). Secondly, however, it is also clear that an R&D organisation that only concentrates on phases I or II without being linked to a venture capital system has no real chance of being economically viable.
- 64 Cf. [Staatssekretariat für Bildung und Forschung SBF, Bundesamt für Berufsbildung und Technologie BBT (publisher). Strategisches Controlling. Botschaft über die Förderung von Bildung, Forschung und Technologie 2004–2007. Zwischenbericht der interdepartementalen Arbeitsgruppe "Strategisches Controlling BFT". Bern 2007]. See findings in chapter 9.
- 65 Cf. [Bundesamt für Berufsbildung und Technologie. Evaluation der Kommission für Technologie und Innovation. Bericht Selbstevaluation. Bern 2002, p. 40]. The ETH, in particular, have been successful in this regard. However, in comparison with the USA there is still insufficient growth of start-ups at present. In order to create a

- real start-up culture with a nationwide sphere of influence, all areas of the support system are in need of improvement. This applies not only to the added value to society of entrepreneurship but also existing firms, coaches and business angels, the media, institutions such as incubators and technoparks, schools, but also the state. For example, the CTI start-up initiative is given its special significance.
- 66 Cf. [Staatssekretariat für Bildung und Forschung SBF, Bundesamt für Berufsbildung und Technologie BBT (publisher). Strategisches Controlling Botschaft über die Förderung von Bildung, Forschung und Technologie 2004–2007. Zwischenbericht der interdepartementalen Arbeitsgruppe “Strategisches Controlling BFT”. Bern 2007]. See findings in chapter 8.
- 67 Cf. [Arbeitsgruppe Wissenschaftsaussenpolitik. Elemente einer schweizerischen Wissenschaftsaussenpolitik des Bundes. Bericht der Arbeitsgruppe WAP. Bern 2001], [Bundesamt für Berufsbildung und Technologie (publisher). “Die Schweiz im weltweiten Innovationswettbewerb”. Bericht zu Handen des EVD-Vorsteher. Bern 1.7.2002, (unpublished) p. 23 ff.].
- 68 Cf. [OECD Reviews of Innovation Policy. Switzerland, Paris, 2006].
- 69 Cf. [Eidg. Departement des Innern / Staatssekretariat für Wissenschaft und Forschung. Durch Bildung und Forschung die Zukunft gestalten, Perspektiven für 2008. Bern 2000], [Schweizerischer Wissenschaftsrat. F&B 4/99. Bern 1999]. The great creativity of the Swiss system is shown by various bibliometric indicators. In contrast, there are problems in sub-critical dimensions, insufficient exploitation of knowledge, less than perfect allocation of funds, a system that is unnecessarily complicated, sluggish adaptation to the labour market, and insufficient attention paid to further training opportunities.
- 70 Cf. [U. P. Trier (Hrsg.). Was bringt unsere Bildung? Schlussbericht des Nationalen Forschungsprogramms 33, Wirksamkeit unserer Bildungssysteme. Chur/Zurich 1999], [Nationales Forschungsprogramm 43. Bildung und Beschäftigung, erste Resultate].
- 71 Cf. [Gruppe für Wissenschaft und Forschung. Durch Bildung und Forschung die Zukunft gestalten, Perspektiven für 2008. Bern 2000]. The tertiary education area should, however, take into account the differences between the universities so that they can come up with a range of training and research on offer that fully meets the demand of the labour market.
- 72 The universities should be responsible in particular for the internal allocation of funds, organisation, the selection and payment of staff, and strategic development so that they can adapt independently to the national and international environment and reach the goals agreed on periodically with their sponsors.
- 73 Cf. [Staatssekretariat für Wissenschaft und Forschung, Bundesamt für Bildung und Wissenschaft (Hrsg.). Bericht über die Neuordnung der schweizerischen Hochschullandschaft. Bericht der Projektgruppe Bund-Kantone Hochschullandschaft 2008. Bern 20. Oktober 2004. www.sbf.admin.ch/htm/bildung/hochschullandschaft/hsl-d.html].
- 74 Cf. [D. Foray, S. Lhuillery. La Suisse dans une économie globalisée de la connaissance. Rapport mandaté par l’OFFT et le SER. Lausanne 2006].
- 75 Cf. [BBT, SBF. Prüfung der Notwendigkeit einer Stärkung der Tertiärbildung sowie Massnahmen zur Effizienzsteigerung im tertiären Bildungssektor. 2006 (internal working paper)].
- 76 Cf. [Organization for Economic Co-operation and Development OECD. Education at a Glance 2006. OECD 2006. Table A 1.3a Population that has attained tertiary education (2004)].
- 77 Cf. [Bundesamt für Statistik. Das Innovationssystem der Schweiz im internationalen Vergleich. Eine Auswahl von Indikatoren aus dem Europäischen Innovationsanzeiger 2005. Neuchâtel 2006].
- 78 Cf. [Bundesamt für Statistik. Studierende und Hochschulabsolventen. Szenarien 2006–2015. Neuchâtel 2006]. According to the Federal Statistical Office’s scenarios the number of students at Swiss universities is set to increase by 2% in the 2006/2007 academic year to reach a total of 169,500 students (2005: 165,700). This number is set to increase constantly by 1.9% to 2.2% up to 2012. Growth should then drop sharply on account of the expected decline in population. In total, the number of students at Swiss universities, excluding the FH Master (Cf. Section 1.4), should total between 192,000 and 200,000 by 2015. This corresponds to a 16%–21% increase compared to the figure for 2005.
- 79 Cf. [Schweizerischer Bundesrat. Botschaft über die Förderung von Bildung, Forschung und Innovation in den Jahren 2008–2011 vom 24. Januar 2007. BBI 2007 1223].
- 80 Cf. [Schweizerischer Wissenschafts- und Technologierat. Förderung des akademischen Nachwuchses an Schweizer Hochschulen. Empfehlungen des Schweizerischen Wissenschafts- und Technologierates. SWTR Schrift 1/2001. Bern 2001], [Schweizerischer Nationalfonds. Mehrjahresprogramm 2004–2007. Bern o. J., Kap. 2, Nachwuchsförderung, pp. 16–18]. Training grants do not get awarded to individual post-graduate students but to university departments or graduate programmes that compete for any available funds; they motivate the universities, to develop high-level, competitive graduate programmes. The graduate programmes in question are institute-based and subject-based interdisciplinary networks. The SNSF’s professorship programme introduced in 2000 gives highly promising young researchers the opportunity to carry out their own research project with a small group for four to six years.
- 81 Cf. [<http://www.bologna-berlin2003.de/en/basic/index.htm>], [<http://www.eua.be/>]. Basic documents on the Bologna process in Switzerland and in Europe Cf. [www.crus.ch/deutsch/Lehre/bologna/index.htm], [<http://www.bolognareform.ch/>], [http://ec.europa.eu/education/index_en.html]. Alongside the Bologna Declaration, the Lisbon Convention of 1997 (similar final examinations system) including the diploma supplement and the ECTS European credit point system for the harmonisation of syllabuses within Europe is important.
- 82 Cf. basic documents on the virtual campus [www.cus.ch/De_D_Projekte/D_Projekte_Campus/Projekte_VCS.html], [<http://www.virtualcampus.ch/display.php?lang=1>]. The new media, hence the Confederation’s Virtual Campus programme, play a key role in modularisation.
- 83 In the university area the first major steps have been taken with the creation of the quality assurance body sponsored by the Confederation and university cantons. Monitoring should, with the systematic and long-term preparation and provision of data on the education system, provide the bases for appropriate and timely harmonisations and reforms. The planned University Framework Act will create a standard framework for quality assurance.
- 84 Cf. [GfS-Forschungsinstitut. Geschäftsbereich Politik und Staat. Schweizer Berufsbildungs-Delphi. Bern 2001. <http://www.bildungsdelphi.ch/index-publikationen-d.php3>], [Eidg. Volkswirtschaftsdepartement. Berufsbildung: Eine Reform für ein starkes System. Broschüre. Bern 2000].
- 85 Cf. [Schweizerischer Bundesrat. Die Situation auf dem Lehrstellenmarkt. Bericht in Erfüllung des Postulates Galladé (03.3621). Bern 8.12.2006].
- 86 Cf. [Schweizerischer Bundesrat. Botschaft über die Förderung von Bildung, Forschung und Innovation in den Jahren 2008–2011 vom 24. Januar 2007. BBI 2007 1259 f.]. In autumn 2006 a higher vocational training masterplan was introduced with a view to increasing efficiency in this area by means of benchmark criteria and cost transparency.
- 87 Cf. [Bundesamt für Statistik. Lebenslanges Lernen und Weiterbildung Bestandesaufnahme der internationalen Indikatoren und ausgewählte Resultate. Neuchâtel 2006].
- 88 Cf. [Bundesamt für Statistik. Weiterbildung in der Schweiz 2003. Eine Auswertung der schweizerischen Arbeitskräfteerhebungen (SAKE) 1996–2003. Neuchâtel 2003].
- 89 Cf. [Bundesamt für Berufsbildung und Technologie. Prüfung der Rolle des Bundes in der berufsorientierten Weiterbildung. Internes Arbeitsdokument. 2006].
- 90 Cf. [Schweizerischer Bundesrat. Botschaft über die Förderung von Bildung, Forschung und Innovation in den Jahren 2008–2011 vom 24. Januar 2007. BBI 2007 1223, p. 1323 ff.].
- 91 Cf. [Schweizerische Koordinationsstelle für Bildungsforschung (SKBF). Bildungsbericht Schweiz 2006. Aarau 2006]. The pilot study report was published on 12 December 2006 and is obtainable at http://www.skbf-csre.ch/index_en.html
- 92 Cf. [Th. Meyer. Förderung des akademischen Nachwuchses: eine Sondermassnahme? Zwischenbericht 2000. Schriftenreihe BBW. Bern 2000], [INTERFACE/sfinx. Evaluation: Bundesprogramm Chancengleichheit, Zwischenbericht auf der Basis des Reportings der Universitäten 2001. Luzern 2002]. The most important measure is the consistent promotion of women in the young researchers

- programme. In addition to the provision of significant orienteering knowledge, as a branch of science gender studies also makes a considerable contribution to the promotion of gender equality. <http://www.cus.ch/wDeutsch/publikationen/chancengleichheit/index.php>
- 93 Cf. [Barben et al. Evaluation Bundesprogramm Chancengleichheit von Frauen und Männern an den Fachhochschulen 2004–2007. Schlussbericht. Im Auftrag des Bundesamtes für Berufsbildung und Technologie BBT, Programmleitung Chancengleichheit Fachhochschulen. Bern, October 2006].
- 94 Cf. [Bundesgesetz über Beiträge an die Aufwendungen der Kantone für Stipendien und Studiendarlehen im tertiären Bildungsbereich (Ausbildungsbeitragsgesetz) vom 6. Oktober 2006. BBl 2006 8379].
- 95 Cf. [Eidg. Volkswirtschaftsdepartement. Grundlagen der Wirtschaftspolitik Nr. 3D. Der Wachstumsbericht. Determinanten des Schweizer Wirtschaftswachstums und Ansatzpunkte für eine wachstumsorientierte Wirtschaftspolitik. 3. Auflage. Bern 2003]. Based on the growth report, the Federal Council adopted, with an initial growth package, a whole package of 17 measures on 18 February 2004 on overcoming Switzerland's growth weaknesses. One of the six growth goals was to ensure a competitive education system. One of the measures involved examining the Confederation's role in vocation-oriented further training. On 31 January 2007 the Federal Council decided to continue with the growth policy in the 2007–2011 legislative period by adopting a second package of measures. One of the measures taken should also be to ensure a high quality of university education.
- 96 Cf. [Bundesamt für Statistik. Lesen und Rechnen im Alltag. Grundkompetenzen von Erwachsenen in der Schweiz. Neuenburg 2006], [Bundesamt für Statistik. Schweizerische Konferenz der kantonalen Erziehungsdirektoren. Für das Leben gerüstet? Die Grundkompetenzen der Jugendlichen. Kurzfassung des nationalen Berichts PISA 2000. Neuenburg 2001], [S. Vanhooydonck, S. Grossenbacher. Illetrismus – Wenn Lesen ein Problem ist, Hintergründe und Gegenmassnahmen. Trendbericht Nr. 5. Schweizerische Koordinationsstelle für Bildungsforschung / Bundesamt für Kultur (publisher). Aarau 2002], [Ph. Notter, F. Stoll. In: Adult Literacy Skills for the Knowledge Society. International Adult Literacy Survey, Final report: Literacy in the Information age. OECD. Paris 1997]. Weaknesses in Switzerland's education system were highlighted by the PISA 2000 study on the basic skills of young people in Switzerland in international comparison.
- 97 Cf. [Bundesamt für Migration (im Auftrag des Departementsvorstehers EJPD). Probleme der Integration von Ausländerinnen und Ausländern in der Schweiz – Bestandesaufnahme der Fakten, Ursachen, Risikogruppen, Massnahmen und des integrationspolitischen Handlungsbedarfs. Bern, Juli 2006].
- 98 Cf. [Schweizerischer Wissenschaftsrat. Zielvorstellungen für die Entwicklung der schweizerischen Hochschulen in der Periode 2000–2003. FS 15a/1997. Bern 1997, Kap. 5.9].
- 99 Cf. [A. Streit. Soziale Sicherheit: Aufbau und Ausbau in der Vergangenheit und finanzielle Zukunftsperspektiven. In: N. Harabi (Ed.). Sozialpolitik in der Bewährung. Bern 1998, p. 11 ff.]. The complex present structure of today's insurance is understandable given its historical development. Military insurance was introduced in 1902, health insurance in 1914 and accident insurance in 1918. In 1925, the constitutional foundations for the AHV were laid, but the first draft Act was rejected in a referendum. It was only 23 years later in 1948 that the AHV became reality. Compensation for earning lost while on military service had its origin in the Second World War and was then permanently introduced. Child allowances for farming families and a first Unemployment Act were also introduced after the Second World War. Invalidity Insurance was introduced in 1960 (35 years after the article in the Constitution). This largely completed the edifice that is the Swiss social security system. From the mid-1960s, the system was expanded in several stages. In 1966, supplementary benefits were introduced. In 1972, the 3-pillar principle was enshrined in the Constitution. In 1973, the AHV pensions were increased by 80% and then in 1975 by a further 25%. The contributions from employees and employers rose from a joint 5.2 to the current 8.4%. In 1985–13 years after the corresponding constitutional provision – the 2nd Pillar was made compulsory. Since then, the 3rd Pillar, and in particular Pillar 3a, has enjoyed certain tax breaks. In 1984, the first revision of the accident insurance saw the mandatory provisions for factories with a high accident risk extended to all employees, and in addition to the SUVA, Privatassekuranz was also approved as an insurer. Also in 1984, unemployment insurance for all employees as well as national funding of the AHV systems was introduced. The new Health Insurance Act of 1996 closed loopholes in the basic insurance. Finally, the revised Loss of Earnings Compensation Act of 2005 introduced paid maternity leave.
- 100 Cf. [Bundesamt für Statistik. Gesamtrechnung der Sozialen Sicherheit 2004. Neuenburg 2006].
- 101 Cf. [Ch. Lutz. Die Suche nach alternativen Visionen der Sozialpolitik. In: N. Harabi (Ed.). Sozialpolitik in der Bewährung. Bern 1998], [H. Ruh. Solidarität und Zukunft des Sozialstaates. In: N. Harabi (Ed.). Sozialpolitik in der Bewährung. Bern 1998], [R. Rechsteiner. Sozialstaat Schweiz am Ende? Zurich 1998], [P. Zweifel et al. Soziale Sicherheit von morgen. Ein Vorschlag für die Schweiz. Bern 1996], [D. de Pury, H. Hauser, B. Schmid (Ed.). Mut zum Aufbruch, Eine wirtschaftspolitische Agenda für die Schweiz. Zurich 1995]. In this connection, the redistributive effects and the efficiency of the existing system have been called into question and far-reaching reform proposals have been revived, with one justification being that this is the only way that Switzerland's appeal as a business location can be preserved.
- 102 Cf. [Federal Department of Home Affairs. Bericht über eine aktualisierte Gesamtschau des finanziellen Mehrbedarfs der Sozialversicherungen bis zum Jahre 2025 dated 17 May 2002], [IDA FiSo 2 (Interdepartamentale Arbeitsgruppe Finanzierungsperspektiven der Sozialversicherungen). Analyse der Leistungen der Sozialversicherungen. Konkretisierung möglicher Veränderungen für drei Finanzierungsszenarien. Bern 1997], [IDA FiSo 1 (Interdepartamentale Arbeitsgruppe Finanzierungsperspektiven der Sozialversicherungen). Bericht über die Finanzierungsperspektiven der Sozialversicherungen (unter besonderer Berücksichtigung der demographischen Entwicklung). Bern 1996], [Federal Department of Home Affairs. Bericht zur heutigen Ausgestaltung der schweizerischen 3-Säulen-Konzeption der Alters-, Hinterlassenen- und Invalidenvorsorge. Bern 1995].
- 103 The 3rd revision of the law on supplementary benefits (1997), the 1st KVG Health Insurance Act HIA partial revision (2000), the 2nd KVG Health Insurance Act HIA partial revision [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung vom 18. September 2000. BBl 2001 741], the 11th AHV revision [Swiss Federal Council. Botschaft über die 11. Revision der Alters- und Hinterlassenenversicherung und die mittelfristige Finanzierung der Alters-, Hinterlassenen- und Invalidenversicherung vom 2. Februar 2000. BBl 2000 1865], the 1st BVG revision (2003), the 4th IV revision (2003), the 3rd Federal Unemployment Insurance Act AVIG revision (2003), the 3rd revision of the salary compensation regulations (Introduction of compensation for loss of earnings for women on maternity leave) (2003), HIA general strategy [Swiss Federal Council. Botschaft zur Änderung des Bundesgesetzes über die Krankenversicherung (Strategie und dringliche Punkte) vom 26. Mai 2004. BBl 2004 4259], the 5th IV revision [Swiss Federal Council. Botschaft vom 22. Juni 2005 zur 5. Revision des Bundesgesetzes über die Invalidenversicherung, BBl 2005 4459], the 11th AHV [Swiss Federal Council. 11. AHV-Revision (Neufassung), first and second dispatch, BBl 2006 1957 and BBl 2006 2061].
- 104 Cf. [Schweizerische Konferenz der Sozialhilfe. Richtlinien für die Ausgestaltung und Bemessung der Sozialhilfe (revidierte Richtlinien 2005). Bern 2005]. Numerous cantons amended their social assistance legislation in the 1990s. The Swiss Conference for Social Assistance (SKOS) approved new rules as recommendations in 2005 and thus improved incentives aimed at getting people into work and at integration.
- 105 Cf. [Federal Statistical Office. Gesamtrechnung der Sozialen Sicherheit 2004. Press release dated 1.06.2006]. For social insurances, see [Federal Social Insurance Office BSV. Schweizerische Sozialversicherungsstatistik 2006. Bern 2006]. The international comparisons assume a definition of social expenditure that not only covers social insurance payments, but also other social policy measures such as social assistance, state subsidies for health care, homes for the elderly and welfare for young people, social measures as part of the policies on drugs and asylum seekers and continued payment of salaries by employers in the event of illness, accident and maternity, together with benefits and services from private institutions. Swiss social security expenditure in 2004 amounted to 29% of GDP, while in the EU 25 this amounted on average to 27.3% and in the EU 15 to 27.6%. In neighbouring countries, the expenditure in

- France (31.2%) was higher, and in Germany (29.5%), Austria (29.1%) and Italy (26.1%) it was lower.
- 106 Cf. [L. Gärtner, Y. Flückiger. Probleme des Sozialstaats: Ursachen, Hintergründe, Perspektiven. Synthesebericht (Nationales Forschungsprogramm NFP 45). Zurich 2006].
- 107 Cf. [F. Höpflinger, A. Stuckelberger. Alter, Anziani, Vieillesse. Hauptergebnisse und Folgerungen aus dem Nationalen Forschungsprogramm NFP 32. Bern 1999].
- 108 Cf. [G. Luisier, S. Cotter, L. Gärtner. Chancen, Risiken und Herausforderungen der demografischen Entwicklung. In: Bundesamt für Statistik (Hrsg.). Demos, Nr. 1/2003. Neuchâtel], [F. Höpflinger, A. Stuckelberger. Alter, Anziani, Vieillesse. Hauptergebnisse und Folgerungen aus dem Nationalen Forschungsprogramm NFP 32. Bern 1999].
- 109 Cf. [Interdepartementale Arbeitsgruppe IDA ForAlt. Synthesebericht zum Forschungsprogramm zur längerfristigen Zukunft der Alterssicherung. In: Federal Social Insurance Office (Ed.). Beiträge zur Sozialen Sicherheit, Forschungsbericht No. 13/03. Bern 2003], [P. Spycher, Büro für arbeits- und sozialpolitische Studien (BASS). Auswirkungen von Regelungen des AHV-Rentenalters auf die Sozialversicherungen, den Staatshaushalt und die Wirtschaft. In: Federal Social Insurance Office BSV (Ed.). Beiträge zur Sozialen Sicherheit, Forschungsbericht No. 5/97. Bern 1997, p. 62 f.].
- 110 Cf. [Swiss Federal Council. 11. AHV-Revision (Neufassung), first and second dispatch. BBI 2006 1957 und BBI 2006 2061].
- 111 Cf. [Gemischte EVD/EDI Leitungsgruppe "Partizipation älterer Arbeitnehmer". Partizipation älterer Arbeitnehmerinnen und Arbeitnehmer. Synthesebericht. Proposals for measures in the areas of: social insurance, health in the workplace, employability. November 2005].
- 112 Cf. [R. van Nieuwkoop (ecoplan). OLGA: Overlapping Generations Model and Generational Accounting zur Analyse von Finanzierungs- und Umverteilungsfragen in der AHV. Wissenschaftlicher Schlussbericht. Bern 2004], [Interdepartementale Arbeitsgruppe IDA ForAlt. Synthesebericht zum Forschungsprogramm zur längerfristigen Zukunft der Alterssicherung. In: Federal Social Insurance Office BSV (Ed.). Beiträge zur Sozialen Sicherheit, Forschungsbericht No. 13/03. Bern 2003], [K. Schluep. Finanzierungsbedarf in der AHV (inkl. EL). In: Bundesamt für Sozialversicherung (Ed.). Beiträge zur Sozialen Sicherheit, Forschungsbericht No. 13/03. Bern 2003].
- 113 Cf. [Swiss Federal Council. Botschaft vom 22. November 2006 über die Änderung des Bundesgesetzes über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge (Anpassung des Mindestumwandlungssatzes) BBI 2006 9477], [Swiss Federal Council. Botschaft vom 22. Juni 2005 zur Änderung des Bundesgesetzes über die Invalidenversicherung. (5. Revision) BBI 2005 4459]. As a result of the SGK-NR 02.3006 postulate dated 22 February 2002 on the need for regulation of invalidity benefits, the Federal Social Insurance Office commissioned a study; this unpublished study failed to come up with any new findings that would have led to additional provisions over and above those in the 1st BVG revision and the 5th IV revision.
- 114 Cf. [L. Gärtner, Y. Flückiger. Probleme des Sozialstaats: Ursachen, Hintergründe, Perspektiven. Synthesebericht (Nationales Forschungsprogramm NFP 45). Zurich 2005], [Federal Statistical Office BFS. Die Schweizerische Sozialhilfestatistik. Erste gesamtschweizerische Resultate. Neuchâtel 2006].
- 115 Cf. [Bundesamt für Statistik (Hrsg.): Armut von Personen im Erwerbsalter – Armutssquote und Working-Poor-Quote der 20- bis 59-jährigen Bevölkerung in der Schweiz zwischen 2000 und 2005, BFS Aktuell, Neuchâtel 2007. <http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.Document.89824.pdf>], [M. Gerfin, R. E. Leu, St. Brun, A. Tschöpe. Armut unter Erwerbstätigen in der Schweiz: Eine Beurteilung alternativer wirtschaftspolitischer Lösungsansätze. Eidg. Volkswirtschaftsdepartement. Bern 2002], [E. Streuli, T. Bauer. (BASS). Working poor in der Schweiz. Info social 5/2001. Neuchâtel 2001].
- 116 The comments on marginalisation and poverty risks are based on [L. Gärtner, Y. Flückiger. Probleme des Sozialstaats: Ursachen, Hintergründe, Perspektiven. Synthesebericht (Nationales Forschungsprogramm NFP 45). Zurich 2005], [Sozialdepartement der Stadt Zürich und Departement Soziales der Stadt Winterthur. Armutsriski Familie! Referate, Zusammenfassungen und Hintergrundberichte zur Tagung vom 7. Mai 2001], [E. Streuli, T. Bauer (BASS). Working poor in der Schweiz. Info social 5/2001. Neuchâtel 2001].
- (BASS). Working poor in der Schweiz. Info social 5/2001. Neuchâtel 2001], [IDA FiSo 2 (Interdepartementale Arbeitsgruppe Finanzierungsperspektiven der Sozialversicherungen). Überlegungen des Konsultativausschusses zuhanden der IDA FiSo 2. Soziale Sicherheit und neue Soziale Risiken. Bern 1998], [Ch. Suter: Armutsforschung und Sozialpolitik in der Schweiz. In: N. Harabi (Ed.). Sozialpolitik in der Bewährung. Bern 1998], [R. E. Leu, P. Burri, T. Priester. Lebensqualität und Armut in der Schweiz. Bern 1997].
- 117 Cf. [Federal Statistical Office. Erste gesamtschweizerische Ergebnisse der Sozialhilfestatistik, Neuchâtel 2005]. Around 220,000 people were on social assistance in 2004. This corresponds to a social assistance level of 3 per cent. Those especially likely to require social assistance include lone parents, divorcees and children, young people and young adults. For the trends in social assistance in the cities, see [R. Fluder, R. Salzgeber. Zentrumslasten im Sozialbereich. Soziale Sicherheit (CHSS) 3/2002. Bern 2002], [Schweizer Städteinitiative Sozialpolitik (Ed.). Kennzahlenvergleich zur Sozialhilfe in Schweizer Städten. Berichtsjahr 2005], [R. Fluder, J. Stremlow. Armut und Bedürftigkeit, Herausforderungen für das kommunale Sozialwesen. Bern 1999].
- 118 Cf. [Schweizer Städteinitiative Sozialpolitik (Ed.). Kennzahlenvergleich zur Sozialhilfe in Schweizer Städten. Berichtsjahr 2005], [K. Wyss. Sozialhilfe – eine tragende Säule der sozialen Sicherheit? Ein Überblick über die in der Schweiz ausgerichteten bedarfsabhängigen Sozialleistungen. Info social 1/1999. Neuchâtel 1999].
- 119 Cf. [Federal Office for Migration (on behalf of the Head of the Justice and Police Department). Probleme der Integration von Ausländerinnen und Ausländern in der Schweiz – Bestandesaufnahme der Fakten, Ursachen, Risikogruppen, Massnahmen und des integrationspolitischen Handlungsbedarfs. Bern, July 2006].
- 120 Cf. [Schweizerische Konferenz der Sozialhilfe. Richtlinien für die Ausgestaltung und Bemessung der Sozialhilfe (revidierte Richtlinien 2005). Bern 2005].
- 121 Cf. [L. Gärtner, Y. Flückiger. Probleme des Sozialstaats: Ursachen, Hintergründe, Perspektiven. Synthesebericht. Zurich 2005 (NFP 45), p. 149], [M. Gerfin, R.E. Leu. Erwerbsabhängige Steuer-Gutschriften – ein Instrument zur Armutsbekämpfung. In: Die Volkswirtschaft, No. 5/2005, p. 19–22].
- 122 Motion of the SGK-NR "National strategy for combating poverty" (06.3001) from 13.01.2006. It requests the Federal Council to hold a national conference on professional and social integration. In this context there should be an exchange of knowledge and experiences between the individual players (Confederation, cantons, communes, cities, SODK, city initiatives, economy and non-governmental organisations) involved in fighting poverty. The aim of this conference should be the development of specific and coordinated measures for a national campaign to combat poverty.
- 123 One of the most effective long-term prevention measures in fighting poverty may be an open education system for the less privileged social classes (above all children of foreign residents).
- 124 Cf. [Interdepartementale Arbeitsgruppe "Komplementärarbeitsmarkt". Bericht der interdepartementalen Arbeitsgruppe "Komplementärarbeitsmarkt" zu Punkt 6 des Postulats 99.3003 der WAK-NR vom 26. Januar 1999: Massnahmen zur Verbesserung des Vollzugs des Arbeitslosenversicherungsgesetzes. Konzept für einen Komplementärarbeitsmarkt – Begleitung von Langzeitarbeitslosen, Ausgesteuerten und behinderten Personen, vom 23. Mai 2001. Bern 2001].
- 125 Cf. [K. Wyss, C. Knupfer. Existenzsicherung im Föderalismus der Schweiz. (Schweizerische Konferenz für Sozialhilfe). Bern 2003].
- 126 As a result of the problem pressure in the social security system there is an urgent necessity for improved information (e.g. statistics, coordination of those involved in social policy, etc.). The Federal Statistical Office is currently compiling social assistance statistics (the first results for the whole of Switzerland were published in May 2006) and also compiles statistical information on the financial situation in households and on middle income groups.
- 127 Cf. [Swiss Federal Council. Botschaft vom 22. Juni 2005 zur 5. Revision des Bundesgesetzes über die Invalidenversicherung, BBI 2005 4459].
- 128 Cf. [Kommission für die Statistik der Unfallversicherung UVG. Unfallstatistik UVG 2005. Luzern 2005].
- 129 Cf. [B. Fux et al.: Pflegen, betreuen und bezahlen. Familien in späteren Lebensphasen. Koordinationskommission für Familien-

- fragen. Bern 2006], [T. Bauer. Kinder, Zeit und Geld: Eine Analyse der durch Kinder bewirkten finanziellen Belastungen von Familien und der staatlichen Unterstützungsleistungen in der Schweiz der neunziger Jahre. Federal Social Insurance Office, Forschungsbericht No. 10/98. Bern 1998, p. 185 ff.].
- 130 Cf. [Federal Department of Home Affairs: Familienbericht 2004. Bern 2004].
- 131 Cf. [Ch. Borgmann, B. Raffelhüschen: Zur Entwicklung der Nachhaltigkeit der Schweizerischen Fiskal- und Sozialpolitik: Generationenbilanzen 1995–2001. Strukturberichterstattung No. 25, Staatssekretariat für Wirtschaft. Bern 2004], [B. Raffelhüschen, Ch. Borgmann. Zur Nachhaltigkeit der schweizerischen Fiskal- und Sozialpolitik: Eine Generationenbilanz. Strukturberichterstattung No. 3, Staatssekretariat für Wirtschaft. Bern 2001].
- 132 The cantons have tried to improve the position of low income families in the past by means of child allowances, social assistance or special legislation. Eleven cantons have special hardship benefits for parents. Cf. [Federal Department of Home Affairs (EDI). Familienbericht 2004. Strukturelle Anforderungen an eine bedürfnisgerechte Familienpolitik. Bern 2004].
- 133 Cf. [T. Bauer, p. Strub, H. Stutz. Familien, Geld und Politik. Von den Anforderungen an eine kohärente Familienpolitik zu einem familienpolitischen Dreisäulenmodell für die Schweiz. Zurich/Chur 2004]. The review in Parliament has come about due to the Parliamentary initiative by Jacqueline Fehr 00.436 Supplementary benefits for families: Ticino model and as a result of the Parliamentary initiative by Lucretia Meier-Schatz 00.437 Supplementary benefits for families: Ticino model.
- 134 Cf. [T. Bauer. Kinder, Zeit und Geld: Eine Analyse der durch Kinder bewirkten finanziellen und zeitlichen Belastungen von Familien und der staatlichen Unterstützungsleistungen in der Schweiz Mitte der neunziger Jahre. Federal Social Insurance Office: Beiträge zur Sozialen Sicherheit, Forschungsbericht No. 10/98. Bern 1998], [Ch. Kissling. Die Zukunft der sozialen Sicherheit. Schweizerische Nationalkommission Justitia et Pax, Institut für Sozialethik des SEK (Ed.). Zurich 1997], [p. Spycher et al. Die Schweiz und ihre Kinder: Private Kosten und staatliche Unterstützungsleistungen. Zurich 1995], [K. Lüscher. Warum Familienpolitik? Argumente und Thesen zu ihrer Begründung. (Eidg. Koordinationskommission für Familienfragen EKFF). Bern 2003].
- 135 Cf. [Federal Statistical Office. Statistisches Jahrbuch der Schweiz 2005. Zurich 2005, p. 38].
- 136 Cf. [Federal Statistical Office. Statistisches Jahrbuch der Schweiz 2005. Zurich 2005, p. 38], [Prognos. Betriebswirtschaftliche Kosten-Nutzen-Analyse familienfreundlicher Unternehmenspolitik (ein gemeinsames Projekt des EVD und der Trägerschaft "Beruf und Familie" (Ed.). Zurich 2005], [C. Knupfer, C. Knöpfel. Wie viel bleibt einem Haushalt von einem zusätzlichen Erwerbseinkommen übrig? In: seco/Federal Social Insurance Office (Ed.). Vereinbarkeit von Beruf und Familie Nr 2. Bern 2005], [Staatssekretariat für Wirtschaft, Federal Social Insurance Officeen. Kinder und Karriere – Vereinbarkeit von Beruf und Familie. (Kurzfassung des OECD-Ländervergleichs zu Neuseeland, Portugal und der Schweiz mit besonderer Berücksichtigung der Teile zu Schweiz). In: seco/Federal Social Insurance Office (Ed.). Vereinbarkeit von Beruf und Familie Nr 1d. Bern 2004], [K. Müller Kucera, T. Bauer. Volkswirtschaftlicher Nutzen von Kindertagesstätten. Zurich 2001].
- 137 Cf. [Bundesgesetz vom 4. Oktober 2002 über Finanzhilfen für familiengänzende Kinderbetreuung. SR 861].
- 138 Cf. [J.-P. Fragnière, V. Hugentobler. La question des générations pour une société solidaire. Le dossier du mois de l'ARTIAS, Juli/August 2006. Yverdon-les-Bains 2006], [Federal Social Insurance Office (Ed.). Generationenbeziehungen: ein unerschöpfliches Thema. In: Familie und Gesellschaft 4/2004. Bern 2004], [K. Lüscher, L. Liegle. Generationenbeziehungen in Familie und Gesellschaft. Konstanz 2003]. The national research programme NFP 52 (2000–2007) is devoted to the following subject: "Childhood, youth and generation relations in social change".
- 139 Popular initiative "Say yes to fair rents" (rejected in a referendum on 18 May 2003; Amendment of the Code of Obligations of 13. 12. 2002 (Rent) (rejected in a referendum on 8 February 2004).
- 140 The Federal Council decided on 28 February 2007 as part of the financial plan for 2009–2011 to provide CHF 5 million in 2009 and CHF 30 million each in 2010 and 2011 as subsidies for housing construction. The FDEA was also instructed as part of the review of tasks to prepare a revised draft of the Federal Act on the Promotion of Affordable Accommodation with a view to only indirect federal subsidies being granted. On aspect that must be examined is whether the granting of federal subsidies can be made conditional on ecological and energy efficient construction practices being used (at least to the extent of the Minergie or MinergieP standards).
- 141 These principles are: no discrimination due to nationality; insurance in one state for all risks; unlimited export of benefits (unemployment benefits max. 3 months between two jobs); the right to treatment for illness or injuries abroad; accumulation of insurance periods from two or more states; payment of benefits in full by one state or shared by all the states involved. Now, for example, EU citizens may claim supplementary benefits under the same conditions as the Swiss. However the benefits must not be exported. Conversely, access to benefits from EU states has been simplified for Swiss citizens. EU citizens are now also entitled, subject to certain requirements, to register for voluntary AHV/IV. The cash payment of transferable benefits in terms of the BVG is possible following a certain transition period only for persons who are not compulsorily insured in an EU state. The EU principles (equal treatment, payment abroad) also apply to cantonal regulations.
- 142 Cf. [Swiss Federal Council. Europabericht 2006. BBL 2006 6815.]. No. 5 appraisal: "The existing bilateral agreements must be implemented as efficiently as possible and must be kept up to date. This relates to (...) their implementation and – where necessary – amendment and renewal." <http://www.europa.admin.ch/index.html?lang=en>.
- 143 Cf. [Europäische Gemeinschaft. Verordnung No. 883/2004 vom 29. April 2004 zur Koordinierung der Systeme der sozialen Sicherheit und zur Festlegung des Inhalts von Anhang XI, Abl L 200 vom 7. 6. 2004]. The implementing provisions are being drafted.
- 144 Cf. [Swiss Federal Council. Bericht über die Entwicklung der Sozialwerke und die Stabilisierung der Soziallastquote vom 17. März 2006 in Erfüllung des Postulats 00.3743 Baumann J. Alexander vom 15. Dezember 2000].
- 145 Cf. [Swiss Federal Council: Bericht über die Entwicklung der Sozialwerke und die Stabilisierung der Sozialquote vom 17. März 2006 in Erfüllung des Postulats 00.3743 Baumann J. Alexander vom 15. Dezember 2000].
- 146 Cf. [Swiss Federal Council: Bericht über die Entwicklung der Sozialwerke und die Stabilisierung der Sozialquote vom 17. März 2006 in Erfüllung des Postulats 00.3743 Baumann J. Alexander vom 15. Dezember 2000].
- 147 Cf. [Infras/KOF ETH. Wirtschaftliche Auswirkungen von Reformen der Sozialversicherungen. Schlussbericht der Arbeitsgemeinschaft INFRAS/KOF. In: Federal Social Insurance Office (Ed.). Beiträge zur sozialen Sicherheit, Forschungsbericht 14/98. Bern 1998], [Ecoplan/St. Felder. Wirtschaftliche Auswirkungen von Reformen der Sozialversicherungen: Dynaswiss – Dynamisches allgemeines Gleichgewichtsmodell für die Schweiz. In: Federal Social Insurance Office BSV (Ed.): Beiträge zur sozialen Sicherheit, Forschungsbericht No. 13/98. Bern 1998].
- 148 Cf. [Swiss Federal Council: Bericht über die Entwicklung der Sozialwerke und die Stabilisierung der Sozialquote in Erfüllung des Postulats 00.3743 Baumann J. Alexander vom 15. Dezember 2000, 17.03.2006, p. 25]. In the calculation the social expenditure for 2030, the effects of the 11th AHV revision (new version) and the 5th IV revision are taken into account.
- 149 Cf. [F. Bertozzi, G. Bonoli, B. Gay-des-Combes. La réforme de l'état social suisse. Vieillissement, emploi, conflit travail-famille. Lausanne 2005].
- 150 The losses made by pension funds and private insurance companies, and also the AHV fund in 2001 once again clearly show the risks of the capital cover procedure [O. Brunner-Patthey, R. Wirz. Vergleich zwischen der AHV und der beruflichen Vorsorge aus wirtschaftlicher Sicht. In: BSV (Ed.): Beiträge zur Sozialen Sicherheit 5/05. Bern 2005].
- 151 Cf. [World Health Organization WHO. Highlights on Health in Switzerland. Geneva 2001], [Federal Statistical Office. Schweizerische Gesundheitsbefragung 2002 – Erste Ergebnisse. Neuchâtel 2003], Monitoring of individual indicators by the Swiss health observatory, obsan, see [<http://www.obsan.ch/monitoring/d/index.htm>].
- 152 Cf. [Bundesamt für Gesundheit. Influenza-Pandemieplan Schweiz 2006. Strategien und Massnahmen in Vorbereitung auf eine In-

- fluenza-Pandemie. Bern 2006], [Verordnung des EDI zur Verhinderung der Einschleppung von neu auftretenden Infektionskrankheiten vom 15. Dezember 2003, SR 818.125.12].
- 153 Cf. [Eurostat (Ed.). Europäische Sozialstatistik. Sozialschutz: Ausgaben und Einnahmen 1995–2003. Ausgabe 2006. Luxemburg 2006]. In relation to international comparisons, extreme caution is generally advisable. While the cost site can at least be made comparable by converting contributions into a standard currency – normally without taking account of variations in purchasing power, the comparison on the benefits side is often very tricky due to the wide variety of national regulations. In the case of comparisons on health services, a distinction must also be made between information on the entire health service and on social insurance payments. As is always the case for results measured against the national product, it must also be remembered that Switzerland has a comparatively high national product.
- 154 Cf. [Federal Social Insurance Office (Ed.). Schweizerische Sozialversicherungsstatistik 2005, Gesamtrechnung, Hauptergebnisse und Zeitreihen der AHV, IV, EL, BV, KV, UV, EO, ALV, FZ. Bern 2005, p. 176]. Whereas in Switzerland the percentage of the gross domestic product made up by health care costs rose from 1990 to 2003 from 8.3% to 11.5%, this percentage rose in the USA in the same period from 11.9% to 15%, in Germany from 8.5% to 11.1%, in France from 8.6% to 10.1%, in Italy from 7.9% to 8.4%, in the United Kingdom from 6.0% to 7.7% (2002). Not included in the statistics in these comparisons is the fact that Switzerland, even in the area of health care is an open economy that provides services abroad.
- 155 Cf. [Federal Department of Home Affairs. Bericht über eine aktualisierte Gesamtschau des finanziellen Mehrbedarfs der Sozialversicherungen bis zum Jahr 2025. Bern 2002]. Between 1996 and 2003, the total health care costs rose by 31.6%, while premiums for basic insurance in the same period with a rise + 55.5% increased far more. The cost trends in health care in recent years have been some 2% above the general rise in prices and salaries. The future cost trends in basic insurance have been estimates on the basis of the rise in costs over the past 20 years. The tendency should be for the percentage rise in costs to tail off in future. Adjusted for inflation (based on 2005 prices) annual cost rise are assumed of around 2.8% between 2005 and 2010, 1.9% between 2010 and 2015 and 1.5% between 2015 and 2020.
- 156 The HIA contains various instruments that are aimed at encouraging cost-conscious conduct by those operating in the health care sector. The cantons, when planning for hospitals, should ensure that in the cost-intensive hospitals sector the creation of over-capacity is avoided and existing over-capacity is reduced. Tariff partners should aim for greater competition in the tariff field, in particular by the prohibition of certain cartel-type practices, and thus agree on lower tariffs. Policy holders should through a choice of deductibles have the opportunity to exercise some influence over the costs they bear themselves or that are paid by the insurance companies and thus take on more responsibility. In addition, policyholders, through having the choice of alternative insurance models with a limited choice of service providers, based either on the gatekeeper principle or the networking of service providers, should ensure that medical care is controlled and unneeded services are avoided, thus influencing the volume of services provided.
- 157 Cf. [Statistisches Jahrbuch der Schweiz 2005. Federal Statistical Office. Neuchâtel 2005]. One in ten earners works in the health care sector, around 470,000 people. Accordingly, health care is one of the most important employers in Switzerland, with an economic importance that is constantly on the increase. Between 1995 and 2001 the number of jobs rose by 18.3%, while the number of jobs in the entire economy rose by only 3.4%.
- 158 Cf. [Bundesamt für Gesundheit. Forschungskonzept Gesundheit 2004–2007. Bern 2002], [World Health Organization WHO. Macroeconomics and Health: Investing in Health for Economic Development, Report of the Commission on Macroeconomics and Health. WHO. Geneva 2001].
- 159 Cf. [Bundesamt für Sozialversicherung. Wirkungsanalyse KVG. Synthesebericht, Forschungsbericht Nr. 16/01. Bern 2001]. The HIA impact analysis subjected the effects of the Act to a comprehensive theoretical and, as far as the in parts insufficiently differentiated data allowed, empirical evaluation. The 25 or so studies by independent scientific experts were merged into a synthesis report.
- 160 As part of the first partial revision (which came into force on 1 January 2001), guidelines on the reduction of premiums in the cantons as well as the right to use alternative pharmacists were introduced as measures. In addition, the Federal Council has taken measures to control the volume and appropriateness of services.
- 161 Cf. [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Strategie und dringliche Punkte) vom 26. Mai 2004. BBI 2004 4259], [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Vertragsfreiheit) vom 26. Mai 2004. BBI 2004 4293], [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Prämienverbilligung) und zum Bundesbeschluss über die Bundesbeiträge in der Krankenversicherung vom 26. Mai 2004. BBI 2004 4327], [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Kostenbeteiligung) vom 26. Mai 2004. BBI 2004 4361], [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Spitalfinanzierung) vom 15. September 2004. BBI 2004 5551], [Swiss Federal Council. Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Managed Care) vom 15. September 2004. BBI 2004 5599], [Swiss Federal Council. Botschaft zum Bundesgesetz über die Neuordnung der Pflegefinanzierung vom 16. Februar 2005. BBI 2005 2033], [J. Schön-Bühlmann. Unbezahlte Pflegeleistungen von Privatpersonen und -haushalten. In: Federal Social Insurance Office. Soziale Sicherheit. CHSS 5/2005. Bern 2005].
- 162 Cf. [P. Spycher. Ökonomische Aspekte der Gesundheitskompetenzen. Ein Konzeptpapier. Im Auftrag des Bundesamtes für Gesundheit. Bern 2006].
- 163 Cf. [Schweizerische Gesellschaft für Prävention und Gesundheitswesen. Gesundheitsziele für die Schweiz 2002], [Swiss Federal Council. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946, see in particular p. 3968: Measure 8].
- 164 Cf. e.g. [Swiss Federal Council. Konzept des Bundesrates für eine Sportpolitik in der Schweiz vom 11. Dezember 2000. Bern 2000]; the 2007–2010 implementation measures in accordance with the decision by the Federal Council of 23 November 2005. But social insurance policy and policies on families, young people, the elderly, immigration and integration have an important effect on health.
- 165 Cf. [Fachkommission für Prävention und Gesundheitsförderung. Bericht zur Zukunft von Prävention und Gesundheitsförderung in der Schweiz. Bern 2006].
- 166 As a compliment to the existing prevention programmes in relation to alcohol, tobacco, drugs, HIV/Aids, further efforts at federal level are required, especially in the areas of nutrition and exercise, in order to combat the consequences of obesity for health and the economy; see [World Health Organization WHO. Global strategy on diet, physical activity and health. Geneva 2004. <http://www.who.int/dietphysicalactivity>]. The BAG is devising a national measures scheme on nutrition and exercise in close cooperation with the Federal Office of Sport (FOSPO) and Health Promotion Switzerland. In the package of measures for 2007–2010, the Federal Council has instructed BASPO to devise and introduce new approaches and promotional measures, in particular for children aged from 6–10. <http://www.baspo.admin.ch/internet/baspo/de/home/sport00/sport00f.html>. <http://www.bag.admin.ch/themen/ernaehrung/00211/index.html?lang=de>
- 167 Cf. [Swiss Federal Council. Strategie für eine Informationsgesellschaft in der Schweiz. Bern, Januar 2006].
- 168 Cf. [Bundesamt für Gesundheit (Ed.). Gesundheitspolitiken in der Schweiz – Potential für eine nationale Gesundheitspolitik. Bern 2006].
- 169 Passed: Federal Act of 19 December 2003 on Research on Embryonic Stem Cells (in force since 1 March 2005), Federal Act of 8 October 2004 on the Transplantation of Organs, Tissue and Cells (expected to come into force on 1 July 2007), Federal Act of 8 October 2004 on the Genetic Testing of Human Beings, Federal Act 23 June 2006 on University Medical Professions; in preparation: Constitution article and federal act on research on human beings, revision of the Federal Act on Narcotics and Psychotropic Substances, Federal Act on Psychology Professions.
- 170 The National Ethics Commission for Human Medicine (NEK-CNE) has spoken out on the following issues in recent years: research on embryonic stem cells, abortion, reproductive cloning for human beings, regulation of organ donation by living people, ster-

- ilisation of people with learning difficulties, pre-implantation diagnostics, assisted suicides and research on human embryos and foetuses. The Federal Centre for Technology Assessment, TA-Swiss, has also tackled advances in medicine in recent years and has published studies on subjects such as telemedicine, neuro-imaging, pharmacogenetics and pharmacogenomics and nanotechnology in the medicine published and organised a public forum on research on human beings.
- 171 Cf. [05.089 Botschaft zur Volksinitiative "Für eine soziale Einheitskrankenkasse" vom 9. Dezember 2005. BBI 2005 735], [Swiss Federal Council. Botschaft zur Volksinitiative "Gesundheit muss bezahlbar bleiben (Gesundheitsinitiative)" vom 31. Mai 2000. BBI 2000 4267].
- 172 Cf. federal popular initiative "for lower premiums" (Premium reduction initiative) from the Swiss People's Party, [05.055 Botschaft zur Volksinitiative "für tiefere Krankenkassenprämien in der Grundversicherung" vom 22. Juni 2005. BBI 2005 735].
- 173 Cf. [Schweizerischer Bundesrat. 04.032 Botschaft zur Änderung des Bundesgesetzes über die Krankenversicherung (Vertragsfreiheit) vom 26. Mai 2004. BBI 2004 4293], [Schweizerischer Bundesrat. 04.062 Botschaft betreffend die Änderung des Bundesgesetzes über die Krankenversicherung (Managed Care) vom 15. September 2004. BBI 2004 5625], [Schweizerischer Bundesrat. 04.031 Botschaft zur Änderung des Bundesgesetzes über die Krankenversicherung (Strategie und dringliche Punkte,) vom 26. Mai 2004. BBI 2004 4259 (incl. health insurance card)], [Schweizerischer Bundesrat. 05.055 Botschaft zur Volksinitiative "für tiefere Krankenkassenprämien in der Grundversicherung" vom 22. Juni 2005. BBI 2005 4315 (e.g. on the services list)].
- 174 Cf. [Kommissionsbericht der EU-Kommission Beschäftigung, soziale Angelegenheiten und Chancengleichheit. Freizügigkeit der Arbeitnehmer seit der Erweiterung 2004 mit positiver Wirkung. 8.2.06]
- 175 Cf. [Federal Office for Migration und Flüchtlinge, Deutschland. Migrationsbericht 2005. BAMF – Migrationsbericht 2005]
- 176 Cf. [European Law Enforcement Cooperation Europol. Annual Report 2005. Juni 2006].
- 177 Cf. for example on the establishment of the EU Agency Frontex in 2005 [Council Regulation (EC) No 2007/2004 of 26 October 2004 establishing a European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union].
- 178 For an overview of EU Immigration Policy, see: SCADPlus: Free movement of Persons, Asylum and Immigration
- 179 On 1 June 2002, the Agreement between the European Union and its Member States and the Swiss Confederation on Free Movement of Persons came into force, regulating the entry and residence in Switzerland of citizens of member states of the EU and of Swiss citizens in the EU.
- 180 The permanent foreign population is made up of people with residence and permanent residence permits. The Swiss Federal Statistical Office also counts international officials and their families that are resident in Switzerland as part of the permanent population.
- 181 The number of "sans papiers" (people without ID documents) is estimated in a study published in April 2005 by the Research Institute Gfs at around 90,000, with only a small number of these being asylum seekers whose applications have been rejected. The study also defined peoples as sans papiers who have been living in Switzerland for more than a month without a valid residence permit and who have no plans to leave.
- 182 The Schengen and Dublin Association Agreements, which were approved by the electorate on 5 June 2005, were signed on 26 October 2004 in Luxembourg. Schengen primarily regulates the removal of systematic personal checks at internal borders and the increase in checks at Schengen external borders. Dublin regulates which Dublin state is responsible for dealing with an application for asylum. This is intended to guarantee the handling of applications for asylum made in the EU and the combating of abuses of asylum procedures, in particular through access to the EURODAC database, which allows duplicate applications to be detected by comparing fingerprints. In addition, the agreements relating to police, justice, asylum and visa matters provide a range of measures to guarantee the free movement of people, and to increase security in the Schengen territory. As part of the development of Schengen, Switzerland is already taking part and promoting its interests in various Schen-
- gen working groups in the EU Council in Brussels. Switzerland will probably be evaluated on its fitness for implementing Schengen in 2007. The Association Agreements will probably come into effect in autumn 2008.
- 183 Cf. [Swiss Federal Council. Botschaft zum Ausländergesetz vom 19. Juni 1978. BBI 1978 II 169]. In the dispatch on the Foreign Nationals Act of 1978, it was planned to make employers responsible for certain integration tasks.
- 184 This is evidenced in particular by developments in cantons and cities in which integration programmes have been introduced and related administrative structures have been set up. Integration programmes are in place in Aargau, Basel-Stadt, Basel-Land, Lucerne, Obwalden, St. Gallen, Schaffhausen, Solothurn, the Ticino and the Valais. Geneva, Neuchâtel, Nidwalden, the Ticino, the Valais, and Aargau have related statutory regulations, and these are planned in both Basel cantons and in Vaud. In addition, all the cantons have now appointed an integration delegate (see Federal Office for Migration. Probleme der Integration von Ausländerinnen und Ausländern in der Schweiz. Bestandesaufnahme der Fakten, Ursachen, Risikogruppen, Massnahmen und des integrationspolitischen Handlungsbedarfs. Bern July 2006)
- 185 Cf. [Swiss Federal Council. Botschaft zum Bundesgesetz über die Ausländerinnen und Ausländer vom 8. März 2002. BBI 2002 3709 3800 ff], [Verordnung über die Integration von Ausländerinnen und Ausländern vom 13. September 2000, VIntA, SR 142.205]. Article 53 of the Federal Act on Foreign National, in force from 1 January 2008. Based on the Ordinance on the Integration of Foreign Nationals, the following focus elements for encouraging integration were decided on for 2004–2007: language acquisition, participation, and strengthening of regional structures (services for foreign people). For these purposes, CHF 14 million was made available each year in 2004 and 2005.
- 186 With the revision of the Ordinance on the Limitation of the Number of Foreign Nationals (BVO, SR 823.21) and the Ordinance on the Integration of Foreigner Nationals (VIntA, SR 142.205) people who are admitted temporarily have simplified access to the jobs market (Art. 7 para. 3 BVO) and are entitled to take part in federal integration programmes (Art. 2 para.. 1 let. b VIntA). With the new Federal Act on Foreign Nationals (AuG), they will also be able, three years after their temporary admission is approved, to bring their immediate families to live with them in Switzerland (Art. 85 of the bill, which was approved in a referendum on 24 September 2006).
- 187 In relation to professional integration, the following examples should be mentioned: the federally recognised two-year basic vocational training introduced in the new Federal Act on Vocational Training (BBG, SR 412.10), the transitional opportunities in the cantons, as well as the project "Professional integration of refugees and temporarily admitted persons", which was implemented in 2006 by the Federal Office for Migration in the form of pilot projects. In addition, most vocational colleges offer integration programmes for young people and adults who have just arrived in the country (e.g. language courses, careers advice, introduction to fundamental rights and obligations in Switzerland).
- 188 Cf. [Bundesamt für Gesundheit (Ed.). Migration und Gesundheit 2004–2007. Strategische Ausrichtung des Bundes 2002–2006. Bern. Februar 2002]. The strategy of the Federal Office for Health is pursuing the goal of improving access to health care for immigrants and of providing specific services that are necessary because of changes in society due to immigration.
- 189 On 30 August 2006, the Federal Council instructed the offices and departments to investigate the need for action and measures required in their areas of responsibility. The FDJP is coordinating this work, devising a financing strategy and will report to the Federal Council by 30 June 2007. This work and its implementation form the basis for a coordinated course of action by the Confederation as part of its integration policy.
- 190 Cf. [Federal Office for Migration. Probleme der Integration von Ausländerinnen und Ausländern in der Schweiz. Bestandesaufnahme der Fakten, Ursachen, Risikogruppen, Massnahmen und des integrationspolitischen Handlungsbedarfs. Bern Juli 2006].
- 191 Cf. [Eidgenössisches Justiz- und Polizeidepartement. Bericht des Bundesamtes für Migration über hängige Fragen des Bürgerrechts. Bern Dezember 2005].
- 193 In view of the increasing importance of international migration and its connection with the issue of development, a high-level dialogue

- took place for the first time at international level as part of the 61st UN Assembly in September 2006 in New York on the subject of migration and development. This is a first step towards encouraging better coherency at international, national and regional levels, in particular through making migration and its effects a more important factor in granting development aid on the one hand and through development factors in immigration policy on the other. The goal of this debate is to demonstrate the positive potential of migration with regard to development and to emphasise ways in which the negative effects (irregular migration, trafficking and smuggling of human beings) can be reduced.
- 193 In view of the increasing importance of international migration and its connection with the issue of development, a high-level dialogue took place for the first time at international level as part of the 61st UN Assembly in September 2006 in New York on the subject of migration and development. This is a first step towards encouraging better coherency at international, national and regional levels, in particular through making migration and its effects a more important factor in granting development aid on the one hand and through development factors in immigration policy on the other. The goal of this debate is to demonstrate the positive potential of migration with regard to development and to emphasise ways in which the negative effects (irregular migration, trafficking and smuggling of human beings) can be reduced.
- 194 Cf. [OECD, International Migration Outlook, Annual Report, 2006 Edition, June 2006] There has been a marked increase in the amount of money being sent home (remittances) by international migrants. Although it is difficult to obtain precise figures, the World Bank estimates that the annual amount of money officially transferred to developing countries was \$150 billion in 2004, which represents an increase of 50 per cent in just five years. The total of remittances is now almost three times the total of official development aid (ODA) made available to low income countries, and makes it the second largest source of external revenue after foreign direct investments (FDI).
- 195 Cf. [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946; siehe insbesondere p. 3955 ff.], [Weltkommission für Umwelt und Entwicklung. Unsere gemeinsame Zukunft. Greven 1987].
- 196 Cf. [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946]. The Federal Council is basing itself here on the Federal Constitution which raises sustainable development in the new Articles 2 (Purpose) and 73 (Sustainability) to the status of a state goal. See also [Schweizerischer Bundesrat. Bericht "Millenniumsentwicklungsziele – Zwischenbericht der Schweiz 2005" vom 25. Mai 2005]. When it signed the Millennium Development Goals at the UN Millennium Summit in September 2000, the Federal Council undertook in Goal 7 to fully incorporate the principles of sustainable development in Swiss policies and programmes. As in Switzerland the debate on sustainable development revolves in particular around the problems of spatial planning, environment and infrastructure, the discussion takes place at this juncture.
- 197 Cf. [Interdepartementaler Ausschuss Nachhaltige Entwicklung: Strategie Nachhaltige Entwicklung 2002 – Bilanz und Empfehlungen für die Erneuerung. Bern 2007], [Interface und Evaluanda. Evaluation der Strategie Nachhaltige Entwicklung 2002. Studie im Auftrag des Interdepartementalen Ausschusses Nachhaltige Entwicklung. Luzern, Genf 2006], [R. Häberli, R. Gessler, W. Grossenbacher-Mansuy, D. Lehmann Pollheimer. Vision Lebensqualität – Nachhaltige Entwicklung, ökologisch notwendig, wirtschaftlich klug, gesellschaftlich möglich. Zurich 2002], [Mauch Consulting, Infras, E. Basler und Partner. Politik der nachhaltigen Entwicklung in der Schweiz: Standortbestimmung und Perspektiven. Zurich 2001].
- 198 Cf. [Statistisches Jahrbuch der Schweiz 2006. Zurich 2006, p. 459 f.], [Bundesamt für Statistik, Bundesamt für Raumentwicklung, Bundesamt für Umwelt, Wald und Landschaft. Nachhaltige Entwicklung in der Schweiz – Indikatoren und Kommentare. Neuchâtel 2003] on: <http://www.bfs.admin.ch/bfs/portal/en/index/themen/21.html>.
- 199 Cf. [Yale Center for Environmental Law and Policy, Center for International Earth Science Information Network. Environmental Sustainability Index – Benchmarking National Environmental Stewardship. New Haven, New York 2005], [R. Prescott-Allen. The Wellbeing of Nations. Washington D.C. 2001].
- 200 Cf. [Wuppertal Institut für Klima, Umwelt, Energie. Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. Munich 2005].
- 201 Cf. [Bundesamt für Raumentwicklung ARE, Bundesamt für Entwicklung und Zusammenarbeit DEZA, Bundesamt für Umwelt BAFU, Bundesamt für Statistik BFS (Hrsg.). Der ökologische Fussabdruck der Schweiz. Ein Beitrag zur Nachhaltigkeitsdiskussion. Neuenburg 2006. <http://www.are.admin.ch/themen/nachhaltig/00268/00551/index.html?lang=en>].
- 202 Cf. [Wuppertal Institut für Klima, Umwelt, Energie. Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. Munich 2005].
- 203 Cf. [BUWAL, Bundesamt für Umwelt, Wald und Landschaft. Wirtschaftliche Dimensionen der Umweltpolitik – Synthese von Forschungsberichten zu den Wechselwirkungen zwischen Wirtschaft und Umwelt. Schriftenreihe Umwelt Nr. 385. Bern 2005].
- 204 Cf. [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946].
- 205 Cf. [Interface und Evaluanda. Evaluation der Strategie Nachhaltige Entwicklung 2002. Studie im Auftrag des Interdepartementalen Ausschusses Nachhaltige Entwicklung. Lucerne, Geneva 2006].
- 206 Cf. [Bundesamt für Raumentwicklung. Bestandesaufnahme der Prozesse der Nachhaltigen Entwicklung auf Kantonsebene. Bern 2004], [Bundesamt für Raumentwicklung, Institut des Hautes Etudes en Administration Publique IDHEAP. Bestandesaufnahme der Prozesse der Nachhaltigen Entwicklung auf Gemeindeebene. Bern 2003].
- 207 Cf. [Bundesamt für Raumentwicklung. Nachhaltigkeitsbeurteilung: Rahmenkonzept und methodische Grundlagen. Bern 2004].
- 208 Cf. [Beratendes Organ für Fragen der Klimaänderung OcCC / ProClim – Forum for Climate and Global Change (Hrsg.). Klimaänderung und die Schweiz 2050. Auswirkungen auf Umwelt, Gesellschaft und Wirtschaft. Bern, März 2007], [Beratendes Organ für Fragen der Klimaänderung OcCC. Das Klima ändert – auch in der Schweiz. Bern 2002] and [Schweizerischer Bundesrat. Botschaft über das Protokoll von Kyoto zum Rahmenübereinkommen der Vereinten Nationen über Klimaänderungen vom 21. August 2002. BBI 2002 6385], [Schwerpunktprogramm Umwelt (1992 bis 2001)], [Nationales Forschungsprogramm 31 über Klimaänderungen und Naturkatastrophen (1992 bis 1997)]. Thus, since the beginning of the 20th century temperatures in Switzerland north of the Alps have risen on average by 1.4°C, as opposed to the world average of 0.6°C. Since 1970 a temperature increase of between 0.4°C and 0.6°C per decade was recorded in Switzerland whereas the world average was between 0.1°C and 0.2°C. In addition, in the 20th century Switzerland showed a 12% increase in rainfall whereas the world figure was between 5% and 10%. See also http://www.occc.ch/index_e.html and <http://www.proclim.ch/>.
- 209 Cf. [Ch. Frei. Die Klimazukunft der Schweiz – Eine probabilistische Projektion. Zürich 2004. Beratendes Organ für Fragen der Klimaänderung (OcCC) www.occc.ch, http://www.occc.ch/Products/CH2050/ch2050_scenario_d.html].
- 210 Cf. [Bundesamt für Umwelt, Wald und Landschaft (publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 15]. Higher temperatures have an adverse effect on the health of the population as a result of heat waves, greater number of air pollutants, which are hazardous to health, and a suspected spread of infectious agents. If temperatures were to rise by two degrees, added value losses in winter tourism caused by a rise in the snowline are estimated at CHF 1.6 to 2.1bn per annum. With the growing frequency of heavy rainfalls there is an increased risk of flooding and landslips which not only damage settlement areas and infrastructure but also endanger the safety of the population.
- 211 Cf. [Forum for Climate and Global Change (ProClim). Hitzesommer 2003 – Synthesebericht. Bern 2005. http://www.proclim.ch/products/heatwave03/heatwave03_bericht.html].
- 212 Cf. [Schweizerische Rückversicherungs-Gesellschaft (Swiss Re). Folgen der Klimaveränderung: Mehr Sturmschäden in Europa – Swiss Re Focus Report. Zürich 2006], [Bundesamt für Umwelt, Wald und Landschaft (publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 180]. Climate change is expected to entail more extreme weather with natural disasters consequently becoming more likely. In a joint research project, the ETH Zurich and SwissRe expect winter storms to occur more frequently and be more intense thereby causing greater medium-scale damage of between 16 and 68% depending on the weather model used.
- 213 Cf. [Bundesamt für Umwelt, Wald und Landschaft (publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 12 f.].

- 214 Cf. [Bundesamt für Umwelt (publisher). Treibhausgasinventar der Schweiz 2004. Bern 2006. <http://www.climatereporting.ch>].
- 215 In the 1990s CFCs, which destroy the ozone layer and which were mainly used as coolants and fuels, were widely banned. The substitute substances used today, called F gases, are, however, like their predecessors, extremely potent greenhouse gases.
- 216 Cf. [Bundesamt für Umwelt (Publisher). CO₂-Senken und – Quellen in der Waldwirtschaft: Anrechnung im Rahmen des Kyoto-Protokolls. Bern 2006, p. 25], [Ch. Goodall, E. Davidson. Carbon cycle: Uncertain sinks in the shrubs. *Nature*. Vol. 418, p. 593–594. London, etc. 2002], [L. Guo, R. Gifford. Soil carbon stocks and land use change: a meta-analysis. *Global Change Biol.* Vol. 8, pp. 345–360. Oxford 2002]. Plants and trees mainly absorb CO₂ during growth and store it as carbon in the plant mass or in the wood. Both the calculation of the actual sink capacity from land use changes and reforestation are beset with great uncertainties. The enlargement of wooded areas does not always result in fewer CO₂ emissions. The conversion of grasslands into forests can in damp areas lead to CO₂ emissions as this causes the CO₂ stored in the ground to be released. The CO₂ stored in forests can also be released in a short time back into the atmosphere due to storms and other disasters: the Lothar storm alone released 14m tonnes of CO₂. For comparison purposes: in 2000, the total amount of greenhouse gas emissions in Switzerland (excluding the CO₂ losses caused by the storm and international air traffic) amounted to 52m tonnes.
- 217 Cf. [Bundesamt für Umwelt, Wald und Landschaft (publisher). Das Klima in Menschenhand: Neue Fakten und Perspektiven. Bern 2002, p. 18 ff.].
- 218 An incentive charge is levied on fossil energy sources and may amount to a maximum of CHF 210 per tonne of CO₂ with the rate being set on the basis of the emission target shortfall. In its decision of 22 June 2005 the Federal Council submitted to Parliament for authorisation a rate of CHF 35 per tonne of CO₂ for fossil fuels. A CO₂ charge on petrol is being considered if the private sector's "climate cent" as a voluntary measure by the oil industry does not have the desired effect. Any profit from the CO₂ tax is ploughed back into the economy evenly per capita in proportion to AHV wage sum and population.
- 219 Cf. [Bundesamt für Energie. Energieperspektiven 2035. Management Summary. Bern, Januar 2007, S. 12], [http://ue.eu.int/ueDocs/cms_Data/docs/pressData/de/ec/84347.pdf, http://ec.europa.eu/environment/climat/pdf/future_action/com_2007_2_de.pdf, http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/de/envir/84334.pdf], [Deutscher Bundestag. Enquête Kommission "Nachhaltige Energieversorgung unter den Bedingungen der Globalisierung und der Liberalisierung". Berlin 2002, S. 26], [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2001 – The Scientific Basis. Third Assessment Report. Cambridge 2001], [Schweizerische Akademie der Technischen Wissenschaften. CH 50 Prozent. Eine Schweiz mit halbiertem Verbrauch an fossilen Energien. Bern 1999. http://www.satw.ch/publikationen/schriften/30_ch50_d], [European Environment Agency. Environment in the European Union at the turn of the century. Environmental assessment report No 2. Copenhagen 1999, Kapitel 3.1 Greenhouse gases and climate change], [Intergovernmental Panel on Climate Change (IPCC). Special Report 1994: Radiative forcing of climate change and an evaluation of the IPCC IS92 emission scenarios. Cambridge 1995], [Deutscher Bundestag. Enquête Kommission "Schutz der Erdatmosphäre" – Schutz der Erde. Bonn 1995, S. 247], [Intergovernmental Panel on Climate Change (IPCC). Climate Change, The IPCC Scientific Assessment. Executive Summary. Cambridge 1991]. On the basis of the IPCC's 2nd evaluation report, the European Council of Ministers declared as early as 1996 that average global temperatures should not be allowed to rise above 2 °C over preindustrial levels. This goal has since been adopted by the European Council (2001 EU summit in Göteborg) and reiterated on numerous occasions. The group of industrial nations is expected to seek ways of achieving a reduction of 15–30 per cent compared to 1990 levels by 2020. On 10 March 2005, the EU council of environment ministers approved studying a path of reduction for the group of industrialised nations in the region of 60–80 per cent below 1990 levels by 2050. In 1995, in accordance with the previous commission of enquiry, the German parliament's "protection of the earth's atmosphere" commission of enquiry called for a 30% reduction in CO₂ emissions of the 1987 figure by 2005, 45% by 2020 and 80% by 2050. The "sustainable energy supply" commission of enquiry considers an 80% reduction in greenhouse gases to be technically and economically feasible. Under "Scenario IV: The way to a 2000-watt society", the energy outlook drawn up by the SFOE, the following goals are attainable: CO₂ emissions can be reduced by 48 per cent by 2035, and energy consumption by 31% per capita. The Swiss Academy of Technical Sciences drew up a scenario for a reduction of over 40% of the consumption of fossil energy sources in Switzerland by 2020. The European Environment Agency in its turn-of-the-century report highlights the fact that stabilising the CO₂ concentration at the current level in accordance with IPCC by 2100 is only possible with an immediate 50%–70% reduction of CO₂ emissions and then further reductions. In 1990 the IPCC had already called for an immediate reduction of over 60% of long-life greenhouse gases such as CO₂. If no measures to reduce greenhouse gas emissions are taken, temperatures in 2010 could on a global average be as much as 6°C over 1990 temperatures.
- 220 Cf. [Bundesamt für Energie. Energieperspektiven 2035. Syntheserbericht.] on: Swiss Federal Office of Energy SFOE – Energy perspectives.
- 221 Private cars, motorbikes, mopeds and coaches expressed in passenger kilometres.
- 222 Cf. [Bundesamt für Raumentwicklung. Perspektiven des schweizerischen Personenverkehrs bis 2030. Bern 2006]. Federal Office for Spatial Development ARE – Outlook and scenarios.
- 223 Cf. [Bundesamt für Raumentwicklung. Perspektiven des schweizerischen Personenverkehrs bis 2030. Bern 2006]. Federal Office for Spatial Development ARE – Outlook and scenarios.
- 224 Cf. [Bundesamt für Raumentwicklung. Perspektiven des schweizerischen Personenverkehrs bis 2030. Bern 2006]. Federal Office for Spatial Development ARE – Outlook and scenarios.
- 225 International traffic consists of destination/originating and transit traffic. In particular the European integration process and the inter-European trade is a major factor that should continue to promote the growth already achieved in the last 20 years.
- 226 The trends in international passenger traffic do not generally have much impact on Switzerland with international traffic accounting for only 10% of the total passenger traffic.
- 227 Cf. [Bundesamt für Raumentwicklung und Bundesamt für Statistik. Mobilität in der Schweiz. Ergebnisse des Mikrozensus 2000 zum Verkehrsverhalten. Bern, Neuenburg 2001].
- 228 Cf. [Bundesamt für Raumentwicklung. Perspektiven des schweizerischen Güterverkehrs bis 2030 – Hypothesen und Szenarien. Bern 2004].
- 229 Cf. [Intraplan Consult GmbH. Entwicklung des Luftverkehrs in der Schweiz bis 2030 – Nachfrageprognose. Munich 2005].
- 230 Cf. [Bundesamt für Strassen. CO₂-Potenzial des Langsamverkehrs. Verlagerung von kurzen MIV-Fahrten. Bern 2005].
- 231 Cf. [Schweizerischer Bundesrat. Konzept des Bundesrates für eine Sportpolitik in der Schweiz vom 11. Dezember 2000 und die vom Bundesrat beschlossenen Massnahmen zur Umsetzung vom 30. November 2001]. The Federal Council intends to give substantial incentives to the promotion of human powered mobility under its sports policy plan in an effort to improve people's health and quality of life.
- 232 Cf. [M. Rotach, P. Keller. Forschungsprojekt Manto. Chancen und Risiken der Telekommunikation für Verkehr und Siedlung in der Schweiz. Zurich 1987]. The authors reckon that in the medium term in commuter traffic at the most around 6% of all traffic could be replaced by teleworking at home and in work centres. Greater substitution potentials are to be found in teleshopping with less shopping traffic being offset by an increase in commercial traffic.
- 233 Cf. [H. Lübbe. Zeit, Kommunikation und Mobilität. In Mobilität: Synthese für unsere Zukunft, Seminarakten Teil 1 Forschungspolitische Frühherkennung FER 170/1995, p. 9 ff.].
- 234 Cf. [Bundesamt für Energie. Ergänzungen zu den Energieperspektiven 1990–2030, Szenario IV: Verschärfte und auf Nachhaltigkeit ausgerichtete CO₂-Reduktion. Bern 1997, p. 44]. [Schweizerischer Nationalfonds. Neue Kommunikationsmedien. Einsatz in Unternehmen und Auswirkungen auf den Verkehr. NFP41 – Report A7.] <http://www.nfp41.ch/reports/projects/kf-a07.html>.
- 235 Cf. [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946, see in particular p. 3970: Measure 10: Förderung von sauberen Fahrzeugen]. In order to press ahead with sustainable development for road traffic, the Federal Council needs to take action, as stipulated in the Air

- Pollution Control and Noise Abatement Ordinance, in view of the growing greenhouse gas emissions and the individual emission limits that have been exceeded. The prime aim is to have a motor vehicle park with particularly clean, low-noise and low-consumption engines and sound-absorbent tyres. Firstly, the Federal Council intends in an intermediate ten-year phase to equip 400,000 motor vehicles with resource-friendly engines and 1.5 million private cars with low-noise tyres. For this there is a pressing need to develop fiscal instruments on a “polluter pays” basis to promote cleaner vehicles. However, the Federal Council also has to determine whether Switzerland should enact its own provisions or wait for international rules.
- 236 As well as rail and post buses this could also for example include “ring and ride” bus services, car-sharing models, etc.
- 237 Cf. [Schweizerischer Bundesrat. Bericht “Strategie Nachhaltige Entwicklung 2002” vom 27. März 2002, Massnahme 17. BBI 2002 3946], [ASTRA. Schlussbericht zum Handlungsprogramm Via sicura. Bern 2005. Schlussbericht Via sicura http://www.astra.admin.ch/media/viasicura/060116_schlussbericht_Via_sicura_low.pdf]. The aim of this action programme is to greatly increase security in road traffic, to strengthen the special efforts made to date and coordinate the two, thereby helping to achieve more sustainable road traffic. The participatory process for formulating road traffic safety policy is completed. The final report was taken note of on 23 November 2005 by the Federal Council and implementation measures are being prepared.
- 238 Cf. [Schweizerischer Bundesrat. Bericht über die Luftfahrtpolitik der Schweiz 2004 vom 10. Dezember 2004. BBI 2005 1781].
- 239 Agreement of 21 June 1999 between the Swiss Confederation and the European Community on goods and passenger traffic by rail and road (SR 0.740.72) and the Agreement of 21 June 1999 between the Swiss Confederation and the European Community on Air Traffic (SR 0.748.127.192.68).
- 240 Cf. [Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation. Sachplan Verkehr, Teilprogramm, 26. April 2006, Bern 2006], [Schweizerischer Bundesrat. Botschaft zum Infrastrukturfonds für den Agglomerationsverkehr und das Nationalstrassennetz (Infrastrukturfonds) vom 2. Dezember 2005 BBI 2006 763]. With its infrastructure fund the Federal Council is making specific proposals for financing the completion of the national road network approved in 1960 and ensuring its functionality (elimination of bottlenecks) and funding infrastructures of public and private town traffic and the upkeep of surfaces of main roads in mountainous regions and outlying areas.
- 241 Cf. [Schweizerischer Bundesrat. Bericht “Strategie Nachhaltige Entwicklung 2002” vom 27. März 2002 (Massnahme 10). Förderung sauberer Fahrzeuge. BBI 2002 3946].
- 242 Contractual regulation governing the incoming and outgoing flights system at Zurich airport over southern Germany and the conclusion of an agreement to exercise cross-border air traffic control.
- 243 Cf. [Bundesamt für Raumentwicklung und Bundesamt für Statistik. Mobilität in der Schweiz. Ergebnisse des Mikrozensus 2000 zum Verkehrsverhalten. Bern, Neuenburg 2001], [Bundesamt für Statistik. Mikrozensus Verkehr 1994. Bern 1994].
- 244 Cf. [Bundesamt für Energie. Schweizerische Gesamtenergiestatistik 2005. http://www.bfe.admin.ch/themen/00526/00541/00542/00631/index.html?lang=en&dossier_id=00763]. The road traffic percentage of total energy consumption in 2005 amounted to around 25%. Looking back at the last five years, there is a clear rising trend for diesel (fast increasing percentage of diesel cars) but no clear trend can be seen for petrol. The SFOE’s energy prospects to 2035 show in all four scenarios that the demand for petrol will continue to fall up to 2035. In scenarios I and II (measure-oriented) a rising demand for diesel up to 2035 is expected. In scenarios III and IV (goal-oriented) the demand for diesel will drop from around 2020. (See 3rd workshop report at Swiss Federal Office of Energy SFOE – Energy perspectives). [Bundesamt für Energie. Energieperspektiven 2035. Synthesebericht. See on: Swiss Federal Office of Energy SFOE – Energy perspectives]. With regard to CO₂ this means that in scenarios I and II emissions will continue to rise up to 2015 and then remain more or less constant and in scenarios III and IV emissions are expected to fall from around 2010.
- 245 Cf. [Bundesamt für Statistik. Transportrechnung Jahr 2003, Neuchâtel 2006,], [www.bfs.admin.ch/bfs/portal/de/index/themen/verkehr_und_nachrichtenwesen/kosten_und_finanzierung/kosten/kennzahlen0/externe_kosten.html], [M. Maibach et. al. Faire und effiziente Preise im Verkehr, NFP 41, Bericht D3. Bern 1999]. Traffic-related external costs (in the strict sense of the word, i.e. excluding uncovered infrastructure costs) for road traffic in 2000 were estimated at around CHF 6.8bn.
- 246 Cf. [Bundesamt für Energie. Energieperspektiven bis 2035 (See Faktenblätter Energieperspektiven on: Swiss Federal Office of Energy SFOE – Energy perspectives)]. Scenario I (reference scenario) does not anticipate any additional instruments but rather some development of existing instruments and measures. It is based on the existing policy, i.e. that the well established environmental and efficiency standards for vehicles are valid and therefore being continued. The use of new energies will be harmonised with energy prices and technical progress. It is assumed, however, that due to market restrictions only some of the economic measures will actually be implemented. Scenario II (increased cooperation between the public and the private sector) assumes that a no claims bonus model will be introduced for private cars and that additional funds will be available to promote renewable energy sources. In both scenarios the demand for petrol is falling although, as expected, in scenario II it is falling faster. An increase in the demand for diesel is expected in both scenarios but the increase is more moderate in scenario II.
- 247 An example of this is the introduction of emission-related landing fees for aircraft and the creation of the appropriate legal bases. A proposal by Switzerland to the International Civil Aviation Organization (ICAO) to annul the exemption of taxes and charges on motor fuels was also accepted for examination.
- 248 Cf. [European Environment Agency. Environmental taxes. Recent developments in tools for integration, Environmental issues series report No 18. Copenhagen 2000, p. 39–40]. CO₂ emissions by aircraft from international aviation and international shipping have so far been exempted from the terms of the Kyoto Protocol. The terms of the UN Convention on International Civil Aviation and of bilateral air services agreements do not allow product taxes to be levied in international transport aircraft. Possible solutions are an amendment of this convention, the introduction of emissions charges or the integration of aviation into the European emissions trading system. [Der EU-Emissionshandel, Europäische Gemeinschaften, September 2005]. Switzerland is very involved in the working groups involved.
- 249 Cf. [Nationales Forschungsprogramm “Verkehr und Umwelt. Wechselwirkungen Schweiz-Europa” NFP 41. Strategie Nachhaltiger Verkehr, Bericht C7. Bern 2000, p. 68 und B-2].
- 250 Cf. [Bundesamt für Statistik. Transportrechnung Jahr 2003, Neuchâtel 2006, p. 24f.], [www.bfs.admin.ch/bfs/portal/de/index/themen/verkehr_und_nachrichtenwesen/kosten_und_finanzierung/kosten/kennzahlen0/externe_kosten.html]. External costs in 2000 amounted to around CHF 6.8bn, of which CHF 6.4bn on the roads and CHF 0.4bn on rail and so far are picked up by the general public and the state. External costs per passenger kilometer were 4.3 centimes on the roads and 1.9 centimes on rail. In goods traffic these costs amount to 57 centimes per tonne kilometre on the roads and 27 centimes per tonne kilometre on rail.
- 251 Via GTI (France), Vivendi (France), Bahn Bus Holding Gesellschaft (BBHG, Germany), Stagecoach (UK). In March 1998 the Zürcher Verkehrsverbund [Zurich transport association] decided that as of 2003 they would put out all diesel bus lines with financially unsatisfactory results in annual stages to tender in canton Zurich. In the urban area around Lucerne the tailor-made association for public transport in built-up areas also intends from 2003 to put out all diesel bus lines to tender. Further cantons and regions should in the medium term follow this model, not least because in other European countries similar trends can be identified (e. g. in Copenhagen). In the goods traffic sector, mergers, for example, of BLS Cargo with DB Cargo (Germany), SBB Cargo with HGK (Germany) are currently becoming the norm.
- 252 Cf. [Schweizerischer Bundesrat. Bericht über die Verkehrsverlagerung (Verlagerungsbericht 2004) vom 24. November 2004. Verlagerungsbericht 2004].
- 253 As far as any changes in the event of EU membership are concerned, there would obviously be additional opportunities in land transport for Switzerland to promote the shift of goods traffic from road to rail.
- 254 Cf. [Richtlinie des Europäischen Parlaments und des Rates zur Änderung der Richtlinie 1999/62/EG über die Erhebung von Gebühren für die Benutzung bestimmter Verkehrswege durch schwere Nutzfahrzeuge (PE-CONS 3682/05, 6992/06 ADD 1 REV 1)].

- 255 Cf. [Kommission der Europäischen Gemeinschaften. Faire Preise für die Infrastrukturbenutzung: Ein abgestuftes Konzept für einen Gemeinschaftsrahmen für Verkehrsinfrastrukturgebühren in der EU. Weissbuch. Brüssel 22.7.98 KOM(1998) 466 endg].
- 256 Except Skyguide: note that the Confederation holds more than 99% of Skyguide shares and exercises its role as owner.
- 257 See in this regard the overviews in [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 326 ff.].
- 258 Cf. [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 31].
- 259 Cf. [Bundesamt für Umwelt, Wald und Landschaft. Wirksamkeit und Leistung von Umweltmanagement-Systemen, Schriftenreihe Umwelt Nr. 327. Bern 2001]. A constantly updated overview can be found on University of St. Gallen.
- 260 Cf. [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002, p. 288].
- 261 Cf. [R. Häberli et al. Vision Lebensqualität: Nachhaltige Entwicklung – ökologisch notwendig, wirtschaftlich klug, gesellschaftlich möglich, Synthesebericht des Schwerpunktprogramms Umwelt. Zurich 2002], [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946]. The Swiss National Science Foundation's environment priority programme came to the conclusion that the environmental necessities of life in Switzerland were not sufficiently guaranteed and one of its recommendations has been to introduce an environmental tax reform, promote long-life and recyclable products or help to formulate international competition conditions (development of social and environmental rules). For the measures in question see [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946; insbesondere Massnahme 3 (Fiskalische Anreize zur Ressourcenschonung), Massnahme 4 (Einführung einer integrierten Produktpolitik) und Massnahme 1 (WTO und Nachhaltige Entwicklung)].
- 262 The high connection rate to sewage treatment plants, the ban on phosphates in textile detergents and lake clean-up measures have led to visible quality improvements in surface waters. The network for monitoring Swiss waters was extended at the end of the 1970s to include chemical-physical parameters, and losses and damage of flowing and still waters have been retrospectively examined since the 1980s. Water consumption as a whole has stabilised since 1975, and consumption of drinking water has slightly fallen since then. The protection of ground water at a planning level (protection zones) guarantees the protection of ground water particularly in the vicinity of drinking water catchment areas. Thanks to the efforts of industry and the provisions of the Substances Ordinance, concentrations of sector-specific substances that until the early 1980s entered the waste water system or surface waters in large quantities are now very much on the wane. With the revised Water Protection Act, the funding of the waste water system and waste water treatment plants has also been put on a new basis.
- 263 Renaturation is understood to include all measures, which contribute to the valorisation of water ecosystems or improve the functioning of flowing waters. These include measures to improve the discharge regime (residual flow, swell negative waves in reservoir power stations) and bed load dynamics, and measures to restore natural conditions along built-up bodies of water. As such, the Confederation supported the cantonal ecomorphological surveys by means of an interested party's contribution between 2000 and 2005. Around 30,000 km of flowing waters were assessed. An initial analysis and extrapolation (as of July 2005) for the whole of Switzerland shows that 15,800 km of are seriously impaired. Roughly 88,000 artificial obstructions over 50 cm high constitute a further impairment of the ecological functioning of the waters. Even the renaturation of only a part of the affected waters would take generations. There is a need for financial support for renaturation measures.
- 264 In Switzerland the water utilities obtain drinking water worth CHF 2bn from ground water supplies every year. Despite this, there is a lack of coordinated national principles for the planning of water supplies. The dry summer of 2003 showed that there was a recognised need for such principles. The "Water Supply 2025" project is intended to study the current and future situation of drinking water supply in Switzerland and set out principles for the planning of an optimal drinking water supply structure, including contingency plans for emergency situations. The increasing exposure of waters to synthetic chemical compounds is also a cause for concern. Substances such as plant health products or medication are almost impossible to biodegrade in waste water plants and impact on organisms in a similar manner to hormones even in the lowest concentrations. With the help of research there is a need to recognise the genuinely harmful substances in good time and limit their use so that they cannot affect bodies of water or drinking water.
- 265 Good examples (Alpenrhein, Rhone-Thur, Doubs, Sitter, Birs) show that the approach of catchment-area-oriented resource management can lead to coordinated results and solutions. Within the EU, watercourse management is determined with the help of working and contingency plans by the Directive establishing a framework for Community action in the field of water policy.
- 266 It has so far been possible to reduce sulphur dioxide emissions by more than two thirds compared to 1980 levels, which is largely due to the repeated reduction in sulphur content of various fuel oils and the replacement of high sulphur fuels (coal, medium and heavy heating oil) by low sulphur fuels (extra light fuel oil and gas). Desulphurization measures by large individual emitters (cellulose production and refineries) have also contributed. The incentive charge on sulphur in extra light fuel oil also resulted in a further reduction (Ordinance of 12 November 1997 on the incentive charge on extra light fuel oil with a sulphur content of over 0.1 per cent). The emission targets set by the Federal Council in its report of 23 June 1999 on air hygiene measures of the Confederation and the cantons for sulphur dioxide have also been met. In terms of sulphur dioxide emission levels it is now a matter of preventing an increase where only preventive measures are necessary.
- 267 Air pollution causes considerable economic harm estimated at several billion francs a year. The health costs attributed to air pollution alone and not covered by polluters reached CHF 4.2bn in 2000. On top of that comes harm from a weakening of the protection and recovery functions of forests related to harmful substances caused by emissions from fires, transport and agriculture (ammoniacal nitrogen) as well as unpleasant odours, impact on human wellbeing, the decrease in species diversity and natural habitats etc. A large part of these costs is not borne by the polluters themselves. Cf. [Bundesamt für Umwelt. Auswirkungen der Luftverschmutzung. FOEN – Effects of air pollution].
- 268 [Schweizerischer Bundesrat. Bericht über die lufthygienischen Massnahmen des Bundes und der Kantone vom 23. Juni 1999. BBI 1999 7735]. The reductions needed to comply with the limit values are listed in the report. The following reductions are needed compared to 2005 levels: Nitrogen oxide roughly 50%, volatile organic compounds roughly 30%, fine particles roughly 45% and ammoniac roughly 40%. Without further measures, target shortfalls from expected total emission levels of around 30% will remain with respect of all harmful substances even in 2020.
- 269 A good overview can be found in [Bundesamt für Umwelt, Wald und Landschaft (Hrsg). Elektrosmog in der Umwelt. Bern, 2005] and [Bundesamt für Gesundheit (Publisher). Nichtionisierende Strahlung und Gesundheitsschutz in der Schweiz – Grundlagen. Bern, 2006]. As of mid- 2005, there were a total of 10,136 mobile phone base stations in operation [Bundesamt für Umwelt / Bundesamt für Statistik (Publisher). Umwelt Schweiz 2007, in Vorbereitung]. On the subject of the pervasion of our living space by miniaturised NIR sources see [Schweizerischer Wissenschaftsrat (Publisher). Das Vorsorgeprinzip in der Informationsgesellschaft: Auswirkungen des "pervasive computing" auf die Gesundheit und die Umwelt, Studie für das Zentrum für Technologiefolgen-Ab schätzung, Bern 2003], [Stiftung Risiko Dialog: Überall und unsichtbar – Stakeholder-Dialog über Pervasive Computing. riskDOK 003/2005, St. Gallen 2005], [V. Coroama et al: Leben in einer smarten Umgebung: ubiquitous-computing-Szenarien und – Auswirkungen. Gottlieb Daimler- und Karl Benz-Stiftung 2006].
- 270 In recent years, various organisations have turned to the public with resolutions and appeals and have called for a more careful approach to NIR-emitting appliances and equipment and tougher limit values. e. g. see: [Freiburger-Appell 2002: <http://www.igumed.de/apell.html>], [Ärztinnen und Ärzte für den Umweltschutz: Forderung nach einem UMTS-Moratorium: Schweiz. Ärztezeitung 2004, 85(3), S. 105], [Oesterreichische Ärztekammer 2005: <http://www.icems.eu/ben>

- evento_resolution.htm]. It now seems to be fair to say that certain people are highly sensitive to NIR who react with health problems or nausea; a phenomenon that has barely been scientifically studied to date less still understood. Cf. [WHO fact sheet 296: Elektromagnetische Hypersensitivität: http://www.who.int/peh-emf/publications/facts/ehs_fs_296_german.pdf]. According to surveys, around 5% of the Swiss population consider themselves to be sensitive to electrosmog [Röösli et al: Repräsentative Befragung zu Sorgen und gesundheitlichen Beschwerden im Zusammenhang mit elektromagnetischen Feldern in der Schweiz. Studie im Auftrag des BUWAL, Bern 2005. <http://www.bafu.admin.ch/electrosmog/01117/index.html?lang=de&download=NHzLpZig7lNp610NTU042l2Z6lnlacy4Zn4Z2qZpnO2Yuq2Z6gpJCDe4R4gGym162dpYbUzd,Gpd6emK2Oz9aGodetmqaN19XI2ldvoaCVZ,s-.pdf>].
- 271 In recent years for example implementation and measuring recommendations have been published for various categories of transmitting equipment and more are in preparation. These are designed to harmonise the implementation of the NIR Ordinance. Cf. [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Mobilfunk- und WLAN-Basisstationen: Vollzugsempfehlung zur NISV. Bern 2002], [Bundesamt für Umwelt, Wald und Landschaft / Bundesamt für Metrologie und Akkreditierung. Mobilfunk-Basisstationen (GSM): Messempfehlung. Bern 2002]. [Bundesamt für Umwelt, Wald und Landschaft / Bundesamt für Metrologie und Akkreditierung: Mobilfunk-Basisstationen (UMTS-FDD): Messempfehlung. Entwurf. Bern 2003], [Bundesamt für Umwelt, Wald und Landschaft / Bundesamt für Metrologie und Akkreditierung: Rundfunk- und Funkrufsendeanlagen. Vollzugsempfehlung zur NISV. Entwurf, Bern 2005].
- 272 This is a relatively new problem area and it is not yet clear how it will develop in future. It is already fair to say that excessive exposure to artificial light is disturbing to man and can be harmful to animals.
- 273 Acoustic treatment of rail vehicles and of existing fixed equipment approved before 1 January 1985 should be completed by the railway companies by 2009. The installation of noise barriers and sound-proofed windows should be completed by 2015. According to the decision of major rail projects fund on noise abatement measures, a total CHF 2.25bn is available for this purpose.
- 274 Cf. [Schweizerischer Bundesrat (Publisher). Bericht des Bundesrates über Stand und Perspektiven der Lärmbekämpfung in der Schweiz, 2005], [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Lärmbekämpfung in der Schweiz. Schriftenreihe Umwelt Nr. 329. Bern 2002].
- 275 Cf. [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Umwelt Schweiz 2002: Politik und Perspektiven. Bern 2002]. The recycling of suitable potential recyclables such as paper or compostable waste can still be improved. The implementation of the ordinance decreed in 1998 on the taking back and disposal of electronic and electrical appliances can also still be improved.
- 276 Cf. [Bundesamt für Umwelt, Wald und Landschaft. Abfallstatistik 2004. Bern 2007]. Today, waste incineration provides around 2.7 per cent of Switzerland's final energy consumption. Waste incineration plants alone cover 2 per cent of Switzerland's total energy requirement. Around 50 per cent of energy generated by these incineration plants is derived from paper, cardboard, wood and other renewable raw materials. Targeted measures to promote the distribution of renewable energies are needed in this respect as part of overall energy policy.
- 277 The 640,000 tonnes of waste cinders produced each year contain tens of thousands of tonnes of metals such as iron, aluminium, copper, zinc and nickel. In the interests of sparing resources, these metals should be separated out and recycled. The filter ash from waste incineration plants and the residues from flue gas cleansing also contain concentrations of volatile heavy metals, which should be reintroduced into the economic cycle. Due to BSE, large parts of animal waste can no longer be used. Around 15,000 tonnes of phosphates from bone meal previously used as fertilizer are lost as a result. Appropriate procedures should be sought to enable these valuable resources to be used – after harmful proteins have been destroyed. Due to the increase in demolitions, renovations and new building, the amount of construction waste is increasing. While the technical means to recycle mineral building materials exists, too little use is made of them. In future, greater efforts should therefore be made to improve the acceptance of recycled building materials.
- 278 As the costs exceed the financial possibilities of the cantons or communes many times over, the Federal Council, on 1 January 2001, detailed in an ordinance the Confederation's special financing (landfill charge) for the remediation of contaminated sites as envisaged in the Environmental Protection Act (Verordnung über die Abgabe zur Sanierung von Altlasten, VASA, SR 814.681).
- 279 In Switzerland legal foundations for research on human beings, embryo research and transplants are being prepared. Furthermore, questions regarding biotechnology are being addressed in the ongoing revisions of the Patents Act and the Plant Varieties Protection Act.
- 280 The Gene Technology Act (SR 814.91, in force since 1 January 2004) contains strict provisions on the protection of humans, animals, the environment and biological diversity, the protection of production without GMOs and the freedom of choice, product flow segregation, labelling, respect for creature dignity, long term monitoring, civil liability provisions.
- 281 The Cartagena Protocol on biosafety of 29 January 2000 is the first international instrument to cover aspects of safety in terms of the environment and human beings in dealings and the use of GMOs. Switzerland ratified the protocol in March 2002 (BBI 2001 4079) and implemented at national level (Cartagena Verordnung CartV SR 814.912.21).
- 282 Petrol and fuel oil make up the largest share of transported dangerous goods. Explosives (e.g. propane, butane), toxic substances (e.g. ammoniac, chlorine) and liquids capable of polluting water (e.g. tetrachloroethene) are also transported. Under the Major Accidents ordinance, the owners of transport routes (rail, road, Rhine) on which hazardous substances are transported, have to submit a brief report to the executing authority. Around 4,000 km of railway, 8,000 km of road and 21 km of the Rhine are affected.
- 283 Joint declaration of 27 June 2002 on the part of the Swiss Society of Chemical Industries (SGCI), the Swiss Federal Railways (SBB AG) and the Federal Department of the Environment, Transport, Energy and Communications (DETEC) on the reduction of risks in the transportation of dangerous goods with a very high potential for damage such as chlorine and sulphur dioxide.
- 284 E.g. in the framework of meetings of the RID safety committee of the ECE/UN and the working group for the transportation of dangerous goods.
- 285 Cf. [Bundesamt für Raumplanung. Raumentwicklungsbericht 2005. Bern 2005].
- 286 A self-assessment on the implementation of the Swiss landscape concept was conducted in 2003 together with the federal authorities. The high relevance of the specific aims was confirmed. An update of the landscape concept with the federal authorities is planned for 2007 as part of the ongoing optimisation of federal tasks and on the basis of the updating requirements from the 2003 evaluation. A report to the Federal Council on the status of measures and the implementation of specific aims in the period 1998 to 2006 is planned for the end of 2007. Good examples of the implementation were published in 2002 and should be continually updated by the federal authorities in the LKS project information system.
- 287 Cf. [Schweizerischer Bundesrat. Botschaft zur Teilrevision des Bundesgesetzes über den Natur- und Heimatschutz (NHG) vom 23. Februar 2005. BBI 2005 2151], [Schweizerischer Bundesrat. Bericht "Strategie Nachhaltige Entwicklung 2002" vom 27. März 2002. BBI 2002 3946; Measure 11].
- 288 Cf. [Bundesamt für Umwelt, Wald und Landschaft (Publisher). Schriftenreihe Umwelt Nr. 363, Waldprogramm Schweiz (WAP-CH): Handlungsprogramm 2004–2015. Bern 2004].
- 289 For example in the protection of the ozone layer, in the reduction of cross-border air pollution, in the controlling of traffic with hazardous substances and in cross-border transportation of genetically modified organisms.
- 290 Cf. [Bundesamt für Energie (Publisher). Schweizerische Gesamtenergiestatistik 2005. Bern 2006].
- 291 Cf. [Infras, Econcept, Prognos. Die vergessenen Milliarden. Externe Kosten im Energie- und Verkehrsbereich. Bern 1996, S. 141 ff.]. Without taking into account the external costs through the disposal of nuclear waste and the external risk costs in the electricity sector, the external costs of energy consumption in Switzerland in 1993 amounted to roughly CHF 4.6–7.2bn of which approx. CHF 2.6–3.9bn were related to heat and power supply and CHF 2.0–3.3bn to transport (excl. accident and infrastructure costs). The costs related to the disposal of nuclear waste depend to a large extent on the method of disposal chosen and have not yet been estimated.

- 292 Cf. [Bundesamt für Energie. Energieperspektiven 2035. Synthesericht. Swiss Federal Office of Energy SFOE – Energy perspectives].
- 293 Cf. [Eidg. Departement für Umwelt, Verkehr, Energie und Kommunikation und Bundesamt für Energie. EnergieSchweiz. Das Nachfolgeprogramm von Energie 2000. Bern 2001], [<http://www.bfe.admin.ch/index.html?lang=en>]. Between 2000 and 2010, the consumption of fossil fuels and CO₂ emissions, should fall by 10 per cent as envisaged in CO₂ Act. Electricity consumption is only allowed to rise by a maximum of 5 per cent. Hydropower generation must not fall. The share of other renewable energies should continue to rise and moreover by 0.5 terawatt hours (TWh) or 1 percentage point of power generation and by 3 TWh or 3 percentage points of heat generation. Other non-quantifiable goals of Energy Switzerland include the development of a high level of energy awareness in the population as a prerequisite for voluntary measures, closer cooperation among all actors, innovations in all areas and thus the strengthening of the Swiss economy.
- 294 Cf. [Bundesamt für Energie. Strategie Wasserkraftnutzung Schweiz – Grundlagen und strategische Ansatzpunkte (not yet published)].
- 295 In July 2003, the EU implemented directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing directive 98/30/EC. This second directive sets out strengthened common rules for the transmission, distribution, supply and storage of natural gas. It also lays out rules for the organisation and functioning of the natural gas sector, market access, network operation and the criteria and procedures for the issuing of transmission, distribution, supply and storage licences for natural gas. These rules are completed by Directive 2004/67/EC of the Council on measures to safeguard security of natural gas supply and Regulation (EC) No 1775/2005 of the European Parliament and of the Council of 28 September 2005 on conditions for access to the natural gas transmission networks.
- 296 Cf. [Art. 13 des Bundesgesetzes vom 4. Oktober 1963 über Rohrleitungsanlagen zur Beförderung flüssiger oder gasförmiger Brenn- oder Treibstoffe (Rohrleitungsgesetz, RLG). SR 746.1].
- 297 Cf. [Schweizerischer Bundesrat. Botschaft zum Energiegesetz vom 21. August 1996. BBI 1996 IV 1005].
- 298 Cf. [Bundesamt für Energie. Energieperspektiven 2035. Synthesericht. Swiss Federal Office of Energy SFOE – Energy perspectives].
- 299 Fuels of biogenous origin such as biogas, biodiesel from rape seed oil and alcohol from agricultural products are CO₂ neutral fuels as when burned they merely release CO₂ absorbed from the atmosphere during plant growth. Vegetal-based fuels can be mixed with petrol or diesel or be used on their own. Biogenous fuels are also being promoted in Europe by means of tax breaks, for example. In Switzerland large-scale production possibilities are currently limited for economic, but also ecological reasons. One likely method of encouragement will be exemption from mineral oil tax.
- 300 Particularly with the EU, Japan and the USA. Cf. [Kommission der europäischen Gemeinschaften. Grünbuch “Eine europäische Strategie für nachhaltige, wettbewerbsfähige und sichere Energie”, KOM(2006)105, Brüssel, 8. März 2006], [Kommission der europäischen Gemeinschaften. Grünbuch “Energieeffizienz oder Weniger ist mehr”, KOM(2005)265, Juni 2005], [Kommission der europäischen Gemeinschaften. Grünbuch “Hin zu einer europäischen Strategie für Energieversorgungssicherheit”, KOM(2000)-769. Brüssel, 29.11.2000, S. 83]. By 2020, the EU is planning to replace 20 per cent of fossil fuels used for heating and mobility with alternative fuels.
- 301 Cf. [Schweizerischer Bundesrat. Bericht “Strategie Nachhaltige Entwicklung 2002”. BBI 2002 3946]. The scenario of the 2000-watt-society can serve as a vision in this respect (reduction of CO₂ emissions to 1 tonne per head of population; currently around 6 tonnes).
- 302 Cf. [Schweizerischer Bundesrat. Bericht “Strategie Nachhaltige Entwicklung 2002” vom 27. März 2002. BBI 2002 3946. Massnahme 3: Fiskalische Anreize zur Ressourcenschonung]. In spite of the rejection of the energy proposals of 24 September 2000, the medium-term examination of tax incentives as an instrument of energy and climate policy remains an important postulate for the Federal Council. The aim is to achieve a revenue-neutral shift of the tax burden from work to energy.
- 303 Cf. [European Environment Agency (Publisher): Environmental taxes: Recent developments in tools for integration. Environmental issues series report No 18. Copenhagen 2000]. The level of tax incentives can either be oriented towards external costs (Pigou, 1920) or as a price signal, in order to achieve the stated environmental or climate policy aims. As the level of external costs in the form of lasting, irreversible damage and immaterial losses in the aftermath of climate-related natural disasters are almost impossible to calculate, the level of tax incentives should be measured in terms of climate policy aims. It is a matter of reducing greenhouse gas emissions to such a level that the climate does not experience further change. The prices of alternative technologies also play a part.
- 304 Cf. [European Environment Agency. Environmental taxes. Recent development in tools for integration. Environmental issues series report No 18. Copenhagen 2000, S. 20]. The shifting of the tax burden from work to energy is also a goal of the European Commission as well as of various EU member states. Other budget-neutral tax models incl. taxes whose revenues are equally distributed among the population, as envisaged by the CO₂ Act and the Environmental Protection Act for the taxes on heating oil containing sulphur and volatile organic compounds (all insured persons received CHF 20 from his or her health insurer in 2003) or taxes whose reimbursement is proportional to certain services (e.g. model to levy a tax on nitrogen oxide in Sweden).
- 305 Cf. [Bericht des Bundesrates vom 22. Mai 1996 über die Grundzüge der Raumordnung Schweiz, BBI 1996 III 556].
- 306 Cf. [Europäische Raumordnungsministerkonferenz CEMAT: Leitlinien für eine nachhaltige räumliche Entwicklung auf dem europäischen Kontinent. Verabschiedet auf der 12. Europäischen Raumordnungsministerkonferenz am 7./8. September 2000 in Hannover], [Kommission der Europäischen Gemeinschaft (Publisher). Europäisches Raumentwicklungskonzept (EUREK). Angenommen vom Informellen Rat der für Raumordnung zuständigen Minister in Potsdam 1999].
- 307 Cf. [Schweizerischer Bundesrat. Botschaft über die Neuorientierung der Regionalpolitik vom 28. Februar 1996. BBI 1996 II 1104]. Understood as an umbrella term for both spatial planning and regional policy.
- 308 Cf. European Spatial Planning Observation Network (ESPON)].
- 309 Cf. [Bundesamt für Raumentwicklung. Raumentwicklungsbericht 2005. Bern 2005, S. 13].
- 310 Functional areas are regions that can cover several cantons. Following a consultation with cantonal governments in 1997, the Federal Statistical Office created a category of large regions for statistical purposes. These seven regions are: Région lémanique (GE, VD, VS), Espace Mittelland (NE, FR, JU, SO, BE), Nordwestschweiz (BS, BL, AG), Zurich (ZH), Zentralschweiz (ZG, LU, NW, OW, SZ, UR), Ostschweiz (SH, TG, SG, AI, AR, GL, GR) and Ticino (TI).
- 311 Cf. [Bundesamt für Raumentwicklung. Raumentwicklungsbericht 2005. Bern 2005, S. 7 f.]. Datenquellen: BZ 2005; ESPON.
- 312 Cf. [Staatssekretariat für Wirtschaft, Bundesamt für Raumplanung. Bericht über die Kernstädte. Bern 1999]. Stagnating or shrinking population numbers, population structure imbalance with large numbers of students, pensioners, welfare claimants, above average one-person households, above average foreign population, rapidly rising welfare payments, arrival of welfare-dependent persons, falling tax revenues from individuals, high proportions of commuters, increasing traffic problems, falling quality of life, increasing problems with the socially-excluded, increasing feelings of fear among urban population; towns dominated by the elderly, unemployed, disqualified from welfare, poor etc.
- 313 Cf. [Bundesamt für Statistik. Arealstatistik Schweiz. Bodennutzung im Wandel. Neuenburg 2001].
- 314 Definition according to OECD criteria. Cf. [Schweizerischer Bundesrat. Botschaft vom 28. Februar 1996 über die Neuorientierung der Regionalpolitik, S. 84, BBI 1996 II 1104]. According to which 7 cantons are deemed urban: AG, BL, BS, GE, SO, ZG, ZH); 12 cantons semi-rural: AR, BE, FR, LU, NE, NW, SG, SH, SZ, TG, TI, VD); 7 cantons rural: AI, GL, GR, JU, OW, UR, VS).
- 315 Cf. [Schweizerischer Bundesrat. Botschaft über die Neue Regionalpolitik (NRP) vom 16. November 2005. BBI 2006 231; 246].
- 316 Cf. [BAK Basel Economics. IBC Report 2004, Part III. Basel 2004]. According to calculations by BAK Basel Economics, in 2003 e.g. the autonomous provinces of Bozen and Tirol outperformed canton Graubünden; Vorarlberg and the region of Constance/Ravensburg outperformed the cantons of TG, AI and AR,

- and the “département” of Haute-Savoie outperformed the cantons of FR and VS.
- 317 Cf. [Schweizerischer Bundesrat. Bericht über die Agglomerationspolitik des Bundes vom 19. Dezember 2001. Bern 2001]. The Federal Council can refer to article 50 of the Federal Constitution, which requires the Confederation to take into account the concerns of the cities in its actions.
- 318 Cf. [Bundesamt für Raumentwicklung. Raumentwicklungsbericht 2005. Bern 2005. Federal Office for Spatial Development ARE – Spatial Development Report 2005].
- 319 Cf. [Schweizerischer Bundesrat. Botschaft zur Festlegung der Beiträge des Ressourcen-, Lasten- und Härtetausgleichs (Dritte NFA-Botschaft) vom 8. Dezember 2006. BBI 2007 645], [Schweizerischer Bundesrat. Botschaft zur Ausführungsgesetzgebung zur Neugestaltung des Finanzausgleichs und der Aufgabenteilung zwischen Bund und Kantonen (NFA) vom 7. September 2005. BBI 2005 6029], [Schweizerischer Bundesrat. Botschaft zur Neugestaltung des Finanzausgleichs und der Aufgaben zwischen Bund und Kantonen (NFA) vom 14. November 2001. BBI 2002 2291].
- 320 Cf. [Schweizerischer Bundesrat. Botschaft über die Neue Regionalpolitik (NRP) vom 16. November 2005. BBI 2006 231].
- 321 Annex A1 contains a comprehensive description of the international challenges which have arisen out of globalisation. The US superpower, followed by its alliances in Europe and eastern Asia, still commands a great deal of influence and is the guarantor for a post-modern world that is characterised by great individual freedoms, high technology and globalisation. The emerging regional and superpowers are also seeking a place in the global leadership stakes and now have more clout than they did ten years ago in terms of involvement on international bodies and negotiating processes. Most of the emerging powers have a nationalistic agenda and are situated in conflict-ridden regional contexts where no stable balances of power have yet had a chance to take root (eastern Asia, southern Asia, Middle East and other areas). Countries such as South Korea, Thailand, China, India and Chile have been able in past decades to take advantage of the dynamic of the world economy and find access to world markets, using this to increase wealth and economic modernisation. Countries with a poor level of education and a low degree of industrialisation are exposed these days to more acute marginalisation due to an unstable national or regional political climate. Since 11 September 2001, sensitivity has risen due to the fact that economic instability and the marginalisation of countries and regions can turn into cross-border security problems. Peripheral and conflict regions, where precarious statehood and conflicts between different regulating principles (religion versus a secular state, the clan versus the state) predominate, do not rate highly in the world order stakes. The existence of quite different political-cum-cultural time axes which intersect, the prime example being the 11 September and the phenomenon of worldwide Jihad terrorism, leads to a far higher complexity than was the case in the twentieth century.
- 322 Cf. previous endnote 321.
- 323 Cf. [Schweizerischer Bundesrat. Europabericht 2006. 28 June 2006. BBI 2006 6815]. These instruments were comprehensively discussed in this report.
- 324 On 3 February 1988 and on 18 May 1988 the Federal Council decided to provide the dispatches to the federal parliament and the Federal Council proposals for ordinances each with a Europe chapter section that would show the results of the Europe compatibility test. Cf. [BBI 1988 III 249, 380 and Botschaft des Bundesrates vom 24. Feb. 1993 über das Folgeprogramm nach der Ablehnung des EWR-Abkommens, BBI 1993 I 805, p. 821 ff.].
- 325 Cf. [R. Iten, M. Peter, A. Vettori, S. Menegale. Hohe Preise in der Schweiz: Ursachen und Wirkung. SECO, Strukturberichterstattung Nr. 19. Bern 2003.<http://www.seco.admin.ch/dokumentation/publikation/00004/00018/01500/index.html?lang=de>].
- 326 Cf. [Schweizerischer Bundesrat. Bericht des Bundesrates zur Cassis de Dijon Thematik. In Erfüllung des Postulates 04.3390. Bern, 23. September 2005. <http://www.news-service.admin.ch/NSBSubscriber/message/attachments/6122.pdf>].
- 327 Cf. [Schweizerischer Bundesrat. Sicherheitspolitischer Bericht 2000 (SIPOL B 2000) vom 7. Juni 1999. BBI 1999 7657].
- 328 The ESDP is an integral component of the EU's Common Foreign and Security policy (CFSP). It is the ESDP that deals exclusively with Switzerland's cooperation with the EU as far as foreign policy is concerned.
- 329 On 1 May 2004 Estonia, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia, Czech Republic, Hungary and Cyprus became members. This was the biggest enlargement in the history of the EU. At the beginning of 2007 Bulgaria and Romania also became members of the Union.
- 330 Cf. [Schweizerischer Bundesrat. Aussenpolitischer Bericht 2000 vom 15. November 2000. BBI 2001 261, p. 310 f.]. Income support and employment, good governance, promotion of the private sector, sustainable use of natural resources, integration into world trade, debt relief, social equalisation, crisis prevention and crisis management.
- 331 Similar governance issues arise in the executive bodies of the UN funds and programmes, the UN special organisations, the Bretton Woods Institutions and the WTO.
- 332 Cf. [J. E. Stiglitz. Making Globalization Work. New York 2006, p. 11]. “Die traurige Wahrheit aber ist, dass außerhalb Chinas die Armut in den Entwicklungsländern in den letzten zwanzig Jahren zugewonnen hat. Etwa 40 Prozent der Weltbevölkerung von gegenwärtig 6.5 Milliarden Menschen leben in Armut (ein Anstieg um 36 Prozent gegenüber 1981), ein Sechstel – 877 Millionen – lebt in extremer Armut (ein Anstieg um 3 Prozent gegenüber 1981). Besonders betroffen ist Afrika, wo der Prozentsatz der Bevölkerung, die in extremer Armut lebt, von 41,6 Prozent im Jahr 1981 auf 46,9 Prozent im Jahr 2001 gestiegen ist. Angesichts des afrikanischen Bevölkerungswachstums heißt dies, dass sich die Zahl der Menschen, die in extremer Armut leben, fast verdoppelt hat: von 164 Millionen auf 316 Millionen.” The UNDP Human Development Report (2005) calculated that the assets of the three richest billionaires is greater than the gross national income GNI of all the least developed countries (LLDC) put together, i.e. the 700m inhabitants of these countries. The per capita income gap between the OECD countries and the developing countries as a whole has increased from a ratio of 15 to 1 in the mid 1960s to 21 to 1 at the end of 1990s, and the income gap between the richest and poorest fifths of the world population has almost tripled.
- 333 The North-South divide is also a power divide as poverty also has a political dimension. Although decisions by the international finance organisations (IMF, World Bank) and the WTO have a major impact on the prospects of the developing countries who more often than not are deeply in debt, these countries are underrepresented or only fairly passive spectators at the places where the decisions are made.
- 334 Cf. [J. Humphrey, H. Schmitz. How does insertion in global value chains affect upgrading in industrial clusters? Institute of Development Studies. Brighton 2001].
- 335 According to an UNCTAD report (2005), the share of all developing countries in the export of industrial products has in fact doubled since 1980 to around 20%. This increase is almost exclusively due to the emerging countries of the Far East. The share of LLDCs in world exports only fell in the 1990s to just 0.6%. This means a drop of around 40% since 1980. Sub-Saharan Africa has 0.3% of the worldwide available internet access. This digital divide illustrates a disengagement from world development in the emerging knowledge society more than data on its share in world trade or in foreign investments.
- 336 The number of fragile states is rising. The World Bank's independent evaluation group (IEG) referred in 2003 to 17 low wage countries under pressure. In 2006 the number had risen to 26.
- 337 Cf. [UN. Millennium Project, J.D. Sachs. A practical plan to achieve the MDGs. New York January 2005].
- 338 Cf. [UN-Report of the International Conference on Financing for Development. Monterrey Consensus of the international Conference on Financing for Development. Mexico March 2002].
- 339 The [Secretariat of the UN Framework Convention on Climate Changes. Impact, Vulnerability and Adaptation to Climate Change in Africa. Ghana September 2006] said that CO₂ emissions for the whole of Africa were below that of Germany with South Africa alone accounting for 42 percent. Africa was particularly susceptible to the consequences of climate change. The [International Panel on Climate Change (IPCC). Synthesis Report. September 2001] said that increased flooding and droughts, a higher desertification rate and smaller harvests, and impact on coastal towns unprotected by storm floods was expected.
- 340 Cf. [Schweizerischer Bundesrat. Millenniumsentwicklungsziele – Zwischenbericht der Schweiz 2005. Bern 2005]. The Federal Council shows the efforts Switzerland has made to implement the

- Millennium Declaration and achieve the Millennium Development Goals and how it is dealing with the development financing obligations of the Monterrey Consensus. Like other countries, Switzerland is required to make funds available so that the developing countries can reach their own development goals (MDG1 to MDG7). At the same time Switzerland must make efforts to achieve the development goals for industrial countries. This refers particularly to the global development partnership goals (MDG8) and the guaranteeing of environmental sustainability (MDG7, target 9).
- 341 UN Development Programme, UN Children's Fund (UNICEF), UN Population Fund, World Health Organization, UN Environment Programme, International Monetary Fund, World Bank Group, the OECD's Development Committee, Global Environmental Fund, European Bank for Reconstruction and Development.
- 342 The original EU member states have committed to the ODA target of 0.7% of the GNI which they intend to reach by 2015. The EU's plan by stages provides for an ODA increase of 0.56% by 2010 and 0.7% by 2015.
- 343 Cf. [Schweizerischer Bundesrat. *Millenniums-Entwicklungsziele – Zwischenbericht*. Bern 2005]. In 2005 Switzerland spent 0.44% of its gross national income (GNI) on public development aid. In the same year the average for OECD member states was 0.33%.
- 344 The newly created instruments in the area of private sector promotion that are meant to support longer-term partnerships between companies in Switzerland and companies in developing and emerging countries, have a good development potential in this regard.
- 345 Cf. [Schweizerischer Bundesrat. Bericht über die Menschenrechtsausßenpolitik der Schweiz 2003–2007 vom 31. Mai 2006. BBI 2006 6071].
- 346 In particular through efforts in the area of good governance. Further examples with which a sustainable human rights policy can be promoted are the support of NGOs in the area of training programmes in the area of human rights and the promotion of options by UN treaty committees in the area of human rights.
- 347 Switzerland's authority and legitimacy in this regard are well known by the international community of states and in particular by the EU.
- 348 Cf. [Schweizerischer Bundesrat. *Aussenpolitischer Bericht 2000* vom 15. November 2000. BBI 2001 261, p. 310 f.]. The Federal Council announced that it intended to make a major and clearly visible contribution to the prevention of violent conflicts. It also announced that it intended to pursue its independent and high-profile humanitarian policy and to strengthen its efforts for the respect of human rights and the promotion of democracy and the rule of law with suitable measures.
- 349 Cf. [University of British Columbia. Human Security Center. *Human Security Report 2005. War and Peace in the 21st Century*. New York, Oxford 2005. <http://www.humansecurityreport.info>].
- 350 Good services and mediation efforts; development of effective civil conflict resolution programmes; experts' pool for civil peace policy; diplomatic initiatives and partnerships according to subject with like-minded states, selected international organisations, non-governmental organisations and stakeholders from the worlds of business and science; initiation and support of diplomatic initiatives on subjects relating to peace policies.
- 351 Long-term geographic priorities are selected from a list of set criteria. These include foreign policy interests (does a conflict have any impact on Switzerland in relation to safety, migration or development policy, humanitarian or environmental issues?), demand (is a peace policy commitment by Switzerland desirable?), starting points (are there any particular special historical, political or economic relations?), international cooperation (does Switzerland's contribution fit in with the efforts of the international community?), synergies (between commitments to bilateral and multilateral, military and civilian or peace and development policies) and calculated risk (does the political risk of commitment compare favourably to the expected peace policy benefit?). The priorities in terms of subject at present cover the role of human rights in peace processes (incl. the issues of reconciliation, and justice in transition processes), division of powers and constitutional questions, reduction of instruments of violence (small arms, mines), reform of security sector and justice reform, religion and conflict, the role of the economy in conflict areas, and gender.
- 352 Cf. [Bundesgesetz über Massnahmen zur zivilen Friedensförderung und Stärkung der Menschenrechte vom 19. Dezember 2003. AS 2004 2157].
- 353 When formulating peace strategies, questions are asked, for example, about the relationship between civilian and military measures in peace building or about the value of civilian conflict management measures if these are not in tune with economic or other interests.
- 354 Cf. [Schweizerischer Bundesrat. Bericht über die Rüstungskontroll- und Abrüstungspolitik der Schweiz 2004 vom 8. September 2004, BBI 2004 5153].
- 355 Cf. [Schweizerischer Bundesrat. Bericht über die Rüstungskontroll- und Abrüstungspolitik der Schweiz 2004 vom 8. September 2004 BBI 2004 5153]. Switzerland will mainly concentrate on the following issues: firstly, consistent implementation of existing arms control agreements (this applies for the nuclear non proliferation treaty and the biological and chemical weapons convention) as well as the informal non proliferation regime; secondly, strengthening of control measures of the International Atomic Energy Agency (IAEA) and the strengthening of the Organisation for the Prohibition of Chemical Weapons (OPCW); thirdly, adoption of negotiations on a ban on the production of fissile material for weapons purposes as part of the Geneva disarmament conference; fourth, financial and technical assistance for the disarmament and nonproliferation of weapons of mass destruction, above all chemical weapons. In this field Switzerland distinguishes itself by offering cooperation with the Swiss army's specialist NBC centre, the Spiez Laboratory and leading private sector firms with protective material, services and specialist training. Furthermore, disarmament cooperation is also playing an increasingly important role, such as in the destruction of stockpiles (excess supplies following armed forces downsizing) or professional retraining of scientists from the armaments industry.
- 356 Cf. [Schweizerischer Bundesrat. Bekämpfung des Terrorismus. Massnahmen zur Verbesserung der Prävention. Verlängerung der Verordnung betreffend die Ausdehnung der Auskunftspflichten und des Melderechts sowie der Verordnung über das Verbot der Gruppierung al-Qaida und verwandter Organisationen. Beschluss vom 23. November 2005]. The Federal Council extended the ban on the Qaida terrorist organisation and related organisations by a further three years until 31 December 2008. The ban applies not only to all activities of the organisation itself, but also to all actions that serve to support them. In addition, entry bans are systematically applied by Fedpol to all Islamic extremists. This includes activists convicted abroad, suspected members of terrorist groups and hate preachers.
- 357 The UEFA Euro 2008 will be held in Switzerland and Austria from 7 to 29 June 2008. 16 teams will play a total of 31 matches between the opening game in Basel and the final in Vienna. The 15 games in Switzerland will be held in Basel (6 games), Geneva, Bern and Zurich (3 games each). Around 1 million visitors are expected to attend the Euro 2008 in Switzerland and Austria.
- 358 Cf. [Schweizerischer Bundesrat. Botschaft zur Änderung des Bundesbeschlusses über Beiträge und Leistungen des Bundes an die Fussball-Europameisterschaft 2008 (EURO 2008) vom 9. Dezember 2005. BBI 2006 1609]. The Euro 2008 security project is one of four sub-projects that form part of the overall project of the federal government, the cantons and cities. The sub-project is designed to ensure the safe and undisrupted running of the Euro 2008. Experts from all levels of government are working on the security concepts and their implementation in a total of ten sub-teams and 20 units. The joint Austro-Swiss Euro 2008 security framework was adopted at ministerial level in September 2005. The responsibilities between the security authorities and the private organiser (Swiss Football Association) have been clearly defined. The organiser ensures safety in the stadiums and their immediate vicinity, as well as in the team and referee hotels and at training locations. In principle, responsibility for security measures rests with the host cities and cantons. The Confederation exercises its responsibilities in the area of domestic security and coordination.
- 359 Cf. [Schweizerischer Bundesrat. Botschaft zur Änderung des Bundesgesetzes über Massnahmen zur Wahrung der inneren Sicherheit. Massnahmen gegen Gewaltpropaganda und gegen Gewalt anlässlich von Sportveranstaltungen vom 17. August 2005. BBI 2005 5613]. At the heart of the project to revise the Federal Act on measures against violent propaganda and violence at sporting events is the creation of a basis in federal law for the national and international exchange of information on violent persons at sporting events. In addition to a hooligan database, other measures to combat violence at sporting events are included in the Federal Act on measures to maintain internal security (BWIS) [SR 120].

- 360 Cf. [Schweizerischer Bundesrat. Umsetzung der FATF/GAFI-Empfehlungen in andern Ländern und wirtschaftliche Auswirkungen der Empfehlungen. Bericht vom 29. September 2006 in Erfüllung der Postulate 05.3175 und 05.3456, Stähelin, vom 17. März und 17. Juni 2005]. In 2003 the FATF's 40 recommendations on combatting money laundering and the 8 (9 since 2005) special recommendations on combatting terrorist financing were revised and adopted. Based on these revised recommendations, Switzerland's financial centre and its set of measures to combat money laundering and terrorist financing were subject to a country exam by the FATF working group in 2005 for the third time. The country exam found Switzerland's measures to be largely efficient and satisfactory, although there was room for improvement on certain points. The revised recommendations and the country report serve as a basis for the new Federal Act on the implementation of the revised FATF recommendations. On 29 September 2006, the Federal Council set out the next steps to be taken. It intends to adopt the relevant dispatch in the course of 2007. At the same time, it has decided to split off the partial revisions of the criminal provisions punishing insider trading from the FATF draft and fast track its revision as part of a revision of the criminal code (Article 161 SCC).
- 361 Cf. [Schweizerischer Bundesrat. Botschaft zum Beitritt der Schweiz zum UNO-Übereinkommen gegen grenzüberschreitende organisierte Kriminalität, zum Zusatzprotokoll zur Verhinderung und Bestrafung des Menschenhandels, insbesondere des Frauen- und Kinderhandels, und zum Zusatzprotokoll gegen den Menschen-smuggel auf dem Land-, See- und Luftweg vom 26. Oktober 2005. BBI 2005 6693]. The UN convention against transnational organised crime and its additional protocols against human trafficking and the smuggling of migrants embody an important further development in international criminal law and form a milestone in international cooperation against transnational organised crime. The State's party to the convention commit themselves to making the participation in a criminal organisation and in money laundering a criminal offence. Furthermore, legal entities should be prosecutable under criminal, civil or administrative law and assets obtained as a result of criminal acts recovered. In addition, state parties must examine whether active and passive corruption of foreign officials should be punishable. Both additional protocols oblige the states parties to undertake repressive and preventive measures to combat human trafficking and migrant smuggling, and to protect the victims of such schemes.
- 362 Cf. [I. Abele-Wigert, M. Dunn. International CIIP Handbook 2006, Vol. 1: An Inventory of 20 National and 6 International Critical Information Infrastructure Protection Policies. In: A. Wenger, V. Mauer (Hrsg.), Zürich (Center for Security Studies, ETH Zürich) 2006. S. 281f].
- 363 Cf. [I. Wigert. Der Schutz kritischer Informationsinfrastrukturen in der Schweiz: Eine Analyse von Akteuren und Herausforderungen. In: A. Wenger (Hrsg.). Bulletin 2005 zur schweizerischen Sicherheitspolitik (Forschungsstelle für Sicherheitspolitik, ETH Zürich). Zürich 2005, S. 97], [K. I. Juster and J. S. Tritak. Critical Infrastructure Assurance: A Conceptual Overview. In: Security in the Information Age: New Challenges, New Strategies. (Joint Economic Committee, United States Congress). Washington D.C. 2002, S. 12].
- 364 Cf.: MELANI – Reporting and Analysis Centre for Information Assurance MELANI.
- 365 More information on early warning efforts in Switzerland and the protection of critical information infrastructure can be found in [T. Holderegger. The Aspect of Early Warning in Critical Information Infrastructure Protection (CIIP). In: M. Dunn, V. Mauer (Hrsg.). International CIIP Handbook 2006, Vol. II: Analyzing Issues, Challenges, and Prospects. (Center for Security Studies, ETH Zürich). Zürich 2006, S. 111–136].
- 366 Cf. [Council of Europe. Convention on Cybercrime. Budapest. 23. November 2001]. <http://conventions.coe.int/Treaty/EN/Treaties/Html/185.htm>.
- 367 Cf. [Schweizerischer Bundesrat. Botschaft zur Vereinheitlichung des Strafprozessrechts vom 21. Dezember 2005. BBI 2005 1058].
- 368 The overall training policy concept of the cantonal directors of justice and police envisages up to five regional training centres. These should cover both basic and advanced training needs. The police school for the Eastern Switzerland region in Amriswil (covering Thurgau, St. Gallen, Schaffhausen, Graubünden, Glarus, Appenzell Innerrhoden, Appenzell Ausserrhoden and the Principality of Liechtenstein) entered into operation in the autumn of 2006 (Rechtsbuch des Kantons Thurgau, Vereinbarung über die Errichtung und den Betrieb einer Ostschweizer Polizeischule in Amriswil vom 1. April 2005, RB 552.14). The Northwestern Switzerland region (covering Lucerne, Uri, Schwyz, Obwalden, Nidwalden, Zug, Solothurn, Aargau, Bern, Basel-Stadt sowie Basel-Landschaft) will open its joint police school in Hitzkirch (LU) in 2007 (Bernische Systematische Gesetzessammlung, Grossratsbeschluss vom 19. Februar 2004 betreffend Beitritt zum Konkordat über Errichtung und Betrieb einer interkantonalen Polizeischule Hitzkirch, BSG 559.12).
- 369 Cf. [Schweizerischer Bundesrat. Botschaft zum Bundesgesetz über die polizeilichen Informationssysteme des Bundes vom 24. Mai 2006. BBI 2006 5061].
- 370 Cf. [Schweizerischer Bundesrat. Botschaft zum Entlastungsprogramm 2004 für den Bundeshaushalt (EP 04) vom 22. Dezember 2004. BBI 2005 759] and [Schweizerischer Bundesrat. Botschaft zum Entlastungsprogramm 2003 für den Bundeshaushalt (EP 03) vom 2. Juli 2003. BBI 2003 5615].
- 371 Cf. [Eidg. Finanzverwaltung. Bericht zum Finanzplan 2008–2010. Bern 2006. Eidgenössische Finanzverwaltung EFV – Themen – Bundesfinanzen – Finanzplan], [Eidg. Finanzverwaltung. Kennzahlen des Bundes 1990–2007. Bern 2006. Kennzahlen und Zeitreihen – Bundesfinanzen – Themen – Eidgenössische Finanzverwaltung EFV].
- 372 Cf. [Eidg. Finanzverwaltung. Öffentliche Finanzen der Schweiz. Ausgaben, Einnahmen, Schulden von Bund, Kantonen, Gemeinden, Sozialversicherungen 1990–2007. Bern 2006. http://www.efv.admin.ch/d/themen/oeff_haushalte/index.php].
- 373 Cf. [OECD. Revenue Statistics 1965–2005. Paris 2006] and [Eidg. Finanzverwaltung. Internationaler Vergleich der Fiskalquoten 1990–2005. Bern 2006. http://www.efv.admin.ch/d/dokumentation/downloads/themen/oeff_haushalte/intv_fiskal.pdf]. As the figures from the OECD indicate, Switzerland has a relatively low tax burden by international comparison. If you measure the overall tax burden against the gross domestic product (fiscal ratio), then Switzerland is found in the group of countries that have a fairly modest tax burden (including Ireland, the United States and Japan). However, the fiscal ratio for Switzerland showed a clear increase from 1990 to 2005 (+4.0 percentage points), while in the same period in various countries (for example the Netherlands, Ireland, Canada Sweden and Germany), it fell.
- 374 Cf. [OECD. Economic Outlook 79, General Government total outlays (Table 25), Paris 2006] and [Eidg. Finanzverwaltung. Internationaler Vergleich der Staatsquoten 1990–2007, Bern 2006. http://www.efv.admin.ch/d/dokumentation/downloads/themen/oef_f_haushalte/intv_brutto_verschul.pdf]. The public spending ratio (total expenditure from the public budget) in Switzerland rose from 30.0 in 1990 to 36.4 in 2005. In 2005, Switzerland along with Ireland (34.6), Australia (34.9), the USA (36.6), Japan (36.9) and Spain (38.2) remained in the group of OECD countries with a relatively low public spending ratio. The public spending ratio is a reflection of the economic and social options a country has. Not only the level, but also the composition of public expenditure and the quality of state services are relevant to the improvement of overall economic prosperity.
- 375 Cf. [Schweizerischer Bundesrat. Bericht über die Schuldenentwicklung der öffentlichen Haushalte vom 23. August 2006. <http://wwwefd.admin.ch/dokumentation/zahlen/00578/01051/index.html>]. The increase in debt was particularly noticeable in the period from 1990 to 1998 – above all due to high deficits. The debt ratio (gross debts in the public budget including social insurance payments as a percentage of GDP) rose over this period from 29.9 to 52.9% of GDP. By 2005, debt had risen by a further 30 billion, with one third of this due to the accumulated deficits of the public budget and two thirds to other causes (in particular elimination of past federal expenditure and pension funds). After an interim high of 53.7% in 2003, the debt ratio had fallen back to 51.7% by 2005.
- 376 Cf. [OECD. Economic outlook 79. General government gross financial liabilities (Table 32). Paris 2006] and [Eidg. Finanzverwaltung. Internationaler Vergleich der Verschuldungsquoten 1990–2007. Bern 2006. http://www.efv.admin.ch/d/themen/oeff_haushalte/kennzahlen/int_vergl.php]. The debt ratio rose in Switzerland from 29.9% in 1990 to 51.7% in 2005. As a result of this increase of over 20%, Switzerland's position by international comparison has clearly deteriorated over the past 15 years. In the intervening period, Luxembourg (6.0%), Australia (14.4%), New Zealand (26.5%), Ireland (31.8%), Denmark (43.0%), Finland

- (48.6%) and Spain (50.4%) and others have posted lower debt ratios.
- 377 Cf. [NFA-Projektorganisation. Schlussbericht über die Festlegung des Ressourcen-, Lasten- und Härteausgleichs vom 30. Juni 2006. Vom Bundesrat am 5. Juli 2006 in die Vernehmlassung geschickt]. Only the cantons that lack resources will benefit from hardship compensation. Hardship compensation will be two thirds funded by the Confederation and a third by the cantons, whereby the share of the funding borne by individual cantons will be based on their populations. Hardship compensation is limited in various respects. After the NFA comes into effect, there will be no further increase in the compensation sums planned. Likewise, hardship compensation will not be adjusted in line with inflation. Eight years after the NFA comes into force, compensation will be reduced by 5% each year, so that it will be completely abolished after 28 years at the latest. What is however, conceivable is also a shorter period for hardship compensation, as it is planned that every four years, on the basis of a report on effectiveness, the Federal Assembly will review whether hardship compensation can be wholly or partly abolished. If a canton that was low in resources at the start of NFA becomes rich in resources over time, its entitlement to hardship compensation will lapse. The number of cantons that receive hardship compensation payments should therefore fall over time. These regulations are intended to ensure that hardship compensation is limited not to a certain number of years, but according to need.
- 378 Cf. [Schweizerischer Bundesrat. Botschaft zur Ausführungsgesetzgebung zur Neugestaltung des Finanzausgleichs und der Aufgabenteilung zwischen Bund und Kantonen (NFA) vom 7. September 2005. BBI 2005 6029]. It is not possible to put a figure on the savings in francs that are expected from the increases in efficiency due to the NFA. However, there is general agreement that economies or gains in efficiency will be achievable. These will be made possible firstly by clearly organised responsibilities of the Confederation and cantons (e.g. national roads, national defence, homes and workshops for disabled people, special schools) and because identifying those bearing costs, obtaining benefits and making decisions favours a provision of services that is fairer to those in need and at the same time more competitively priced. The second factor is the abolition of financial power surcharges for the remaining joint tasks (e.g. environmental issues, regional transport). As the funding is now largely based at cantonal level, resources should again be used in future in a manner that is fairer to those in need and more efficient. The third factor is new forms of cooperation and funding for the remaining joint tasks (programme agreements and blanket/global subsidies; e.g. for environmental projects). This will result in the cooperation between the Confederation and cantons being more efficiently structured and will create incentives for a more economical use of resources. The fourth factor is increased inter-cantonal cooperation (e.g. universities, advanced medical science, urban transport). Closer cooperation among the cantons will make cost savings possible thanks to better coordination of the provision of services and the achievement of economies of scale. According to the final report of the NFA project organisation cited in End note 374, the NFA should also produce positive macro-economic effects. Here again, it is too early to quantify the potential results. An external expert opinion from 2005 comes to the conclusion that for Switzerland as a whole, the NFA will lead to a moderate rise in the gross domestic product, the national income, employment and the population, and to a fall in state expenditure and the tax burden.
- 379 Cf. for example [International Monetary Fund. Switzerland: 2006 Article IV Consultation – Staff Report. Washington D.C. June 12 2006].
- 380 Cf. [Schweizerischer Bundesrat. Bericht über die Schuldenentwicklung der öffentlichen Haushalte vom 23. August 2006. <http://www.efd.admin.ch/dokumentation/zahlen/00578/01051/index.html>]. The massive increase in federal debt between 1990 and 2004 is only 39% due to the deficits in the financial accounts. In addition, 32% of the serious increase in debt is due to the rectification of existing problems (in particular the restructuring and refinancing of the SBB, the financing of the pension funds of the Confederation, SwissPost and SBB as well as the recapitalisation of the RUAG). A further 11% was used to fund treasury loans, which were granted directly via the balance sheet and have not yet been repaid or not had to be written off.
- 381 Cf. [Eidg. Finanzverwaltung. Bericht zum Finanzplan 2008–2010. Bern 2006]. According to the finance plan 2008–2010, in the coming years extraordinary financial requirements of 4.1 billion are expected (in particular the initial investment in the infrastructure fund and the introduction of the NFA) that without countermeasures will lead to further debt.
- 382 Cf. [Eidg. Finanzdepartement. Medienmitteilung vom 8. November 2006. Nachhaltigkeitsbericht zu den öffentlichen Finanzen der Schweiz. Bern 2006. <http://www.admin.ch/aktuell/00089/index.html?lang=de&msg-id=8078>]. This should be accomplished with the sustainability report currently under preparation. An attempt will be made, in order to take stock of the situation, to estimate the longer term effects of today's policy at the three levels of government and of social institutions by means of projections of income and expenditure over a period of around 50 years and to determine any need for action.
- 383 Cf. [Eidg. Steuerverwaltung. Vernehmlassungsvorlage zur Vereinfachung des Bundesgesetzes über die Mehrwertsteuer. Bern 2007. <http://www.efd.admin.ch/dokumentation/gesetzgebung/00571/01116/index.html?lang=de>], [Schweizerischer Bundesrat. Bericht über Verbesserungen der Mehrwertsteuer (10 Jahre Mehrwertsteuer). Bern 2006. <http://www.efd.admin.ch/dokumentation/zahlen/00578/00892/index.html>], [P. Spori. Bericht in Sachen Mehrwertsteuerreform. Bern 2006. <http://www.efd.admin.ch/dokumentation/zahlen/00578/01021/index.html>].
- 384 Cf. [Eidg. Steuerverwaltung. Vernehmlassungsvorlage zum Systementscheid bei der Ehepaarbesteuerung. Bern 2006. <http://www.efd.admin.ch/dokumentation/gesetzgebung/00571/01102/index.html?lang=de>], [Eidg. Steuerverwaltung. Bericht auf Grund der Studie der Arbeitsgruppe Individualbesteuerung betreffend Einführung der Individualbesteuerung im Bund und in den Kantonen. Bern 2006. <http://www.efd.admin.ch/dokumentation/zahlen/00578/01010/index.html>].
- 385 Cf. [C. Keuschinnig. Ein zukunfts- und wachstumsorientiertes Steuersystem für die Schweiz. Analyse der Effizienz-, Verteilungs- und Wachstumswirkungen. St. Gallen 2006], [Ecoplan. Zukunfts- und wachstumsorientiertes Steuersystem. Analyse der Effizienz-, Verteilungs- und Wachstumswirkungen einer Reform der indirekten Steuern in der Schweiz mit dem berechenbaren allgemeinen Gleichgewichtsmodell SWISSOLG. Bern 2006], [F. Bodmer. Die volkswirtschaftlichen Auswirkungen der Mehrwertsteuer und einiger Reformszenarien. erscheint 2007]
- 386 Panel of experts on earnings-based tax credits chaired by Prof. R. Leu.
- 387 Cf. [Kommission für Konjunkturfragen. Wirtschaftliche Auswirkungen einer alternden Bevölkerung. Jahresbericht 2005. <http://www.kfk.admin.ch/pdf%20d/384.%20Mitteilung.pdf>].
- 388 For the first approaches, see [Schweizerischer Bundesrat. Bericht zu den pendenten familienpolitischen Massnahmen und ihren finanziellen Auswirkungen (in Erfüllung des Postulats der Kommission für Wirtschaft und Abgaben des Ständerates 04.3430). Bern 2005. <http://www.efd.admin.ch/dokumentation/zahlen/00578/00886/index.html>].
- 389 Federal Act of 10 October 1997, in force since 1 January 1998; AS 1998 669.
- 390 This results in a reduction in the statutory rate for profit tax at federal level from 8.5% to an effective 6.8% (under the assumption that the statutory rate of profit tax for Confederation, canton and commune amounts to a total of 25%). The same applies at cantonal level, with the result that the aggregate rate of taxation, at an assumed nominal rate of profit tax for Confederation, canton and commune of a total of 25%, falls in practical terms to 20%.
- 391 The domestic tax base, in comparison with the potential influx from the tax base from abroad is small. Therefore it is possible that losses on income due to reductions in taxation will be over-compensated for by income from the new tax substrate. In contrast, large countries have a competitive disadvantage because a tax competition strategy leads to substantial “knock-on effects” and thus to high tax deficits.
- 392 Cf. [Eidgenössisches Finanzdepartement. Internationale Standortattraktivität der Schweiz aus steuerlicher Sicht. Bericht 2006. <http://www.efd.admin.ch/dokumentation/zahlen/00578/00878/index.html>], [M. Eichler, C. Elschner, M. Owersch. IBC Taxation Index 2005: Effective Tax Burden of Companies and on Highly Qualified Manpower. Basel 2005. BAK Basel Economics research report. www.bakbasel.com], [C. Elschner, R. Schwager. The Effective Tax Burden on Highly Qualified Employees. An International Comparison. ZEW Economic Studies, Vol. 29. Heidelberg 2005],

- [L. Lammersen, R. Schwager. The Effective Tax Burden of Companies in European Regions. An International Comparison. ZEW Economic Studies, Vol. 28. Heidelberg 2005], [L. Lammersen, R. Schwager. Die steuerliche Attraktivität der Schweiz als Unternehmensstandort im internationalen und interregionalen Vergleich. In: Internationales Steuerrecht IStR 13, Heft 21, 2004, S. 741–749. Bern 2004].
- 393 Cf. [Schweizerischer Bundesrat. Europabericht 2006 vom 28. Juni 2006. BBI 2006 6815], [Schweizerischer Bundesrat. Schweiz-Europäische Union. Integrationsbericht 1999 vom 3. Februar 1999. BBI 1999 3935. IO – Integration Report 1999], [T. Cottier, A.R. Kopse (Hrsg.). Der Beitritt der Schweiz zur Europäischen Union. Brennpunkte und Auswirkungen. Zürich 1998].
- 394 Cf. [L. Goetschel, M. Bernath, D. Schwarz. Schweizerische Aussenpolitik. Grundlagen und Möglichkeiten. Zürich 2002, S. 122 f.], [Schweizerischer Bundesrat. Aussenpolitischer Bericht 2000 vom 15. November 2000. BBI 2001 261, S. 316 ff.].
- 395 Cf. [Schweizerischer Bundesrat. Europabericht 2006 vom 28. Juni 2006. BBI 2006 6815].
- 396 Cf. [Schweizerischer Bundesrat. Europabericht 2006 vom 28. Juni 2006. BBI 2006 6815].
- 397 Cf. [Schweizerischer Bundesrat. Bericht zu den Auswirkungen verschiedener europapolitischer Optionen auf den Föderalismus der Schweiz (in Erfüllung des Po. 01.3160 “Föderalismusbericht. Erhaltung des Föderalismus bei den verschiedenen europapolitischen Optionen”), adopted by the Federal Council on 15 June 2007].
- 398 Cf. [R. Baumann. Der Einfluss des Völkerrechts auf die Gewaltenteilung. Zürich 2002, S. 412–414].
- 399 Cf. [A. Vatter. Föderalismus. In: U. Klöti, P. Knoepfle, H. Kriesi, W. Linder, Y. Papadopoulos. Handbuch der Schweizer Politik. Zürich 1999, S. 77–108].
- 400 Cf. [Schweizerischer Bundesrat. Botschaft zur Festlegung der Beiträge des Ressourcen-, Lasten- und Härteteausgleichs (Dritte NFA-Botschaft) vom 8.12.2006. BBI 2007 645], [Schweizerischer Bundesrat. Botschaft zur Ausführungsgesetzgebung zur Neugestaltung des Finanzausgleichs und der Aufgabenteilung zwischen Bund und Kantonen (NFA) vom 7. September 2005. BBI 2005 6029], [Schweizerischer Bundesrat. Botschaft zur Neugestaltung des Finanzausgleichs und der Aufgaben zwischen Bund und Kantonen (NFA) vom 14. November 2001. BBI 2002 2291].
- 401 Cf. [Schweizerischer Bundesrat. Botschaft zur Neugestaltung des Finanzausgleichs und der Aufgaben zwischen Bund und Kantonen (NFA) vom 14. November 2001. BBI 2002 2291, see in particular p. 2534–2540].
- 402 Cf. [Schweizerischer Bundesrat. Botschaft zur Neugestaltung des Finanzausgleichs und der Aufgaben zwischen Bund und Kantonen (NFA) vom 14. November 2001. BBI 2002 2291, see in particular p. 2537. Coping with the changes in public expenditure caused by joining the EU would be considerably more complicated and difficult without reform. By an allocation of tasks according to federal principles between the Confederation and the cantons, Switzerland would increase its capacity to act in the event of joining the EU. If the cantons have a clear understanding of their interests and can represent these quickly and decisively through the expansion of inter-cantonal cooperation, they will provide the best support to the federal authorities in European policy. The ability of Switzerland to participate in the EU demands independent involvement and substantial safeguarding of interests by the cantons. The planned expansion of inter-cantonal cooperation with an equalisation of burdens will prove from this perspective to be a mandatory requirement both for the strengthening of the cantons as a whole and the capacity to act in foreign policy at federal level. Both via the NFA and via European policy, horizontal cooperation among cantonal governments will increase greatly and thus an additional general Swiss or regional level will develop.
- 403 Cf. [U. Wagschal, H. Rentsch (Avenir Suisse) (Hrsg.). Der Preis des Föderalismus. Zürich 2002], [H. Blöchliger (Avenir Suisse) (Hrsg.). Baustelle Föderalismus. Zürich 2005], [R. L. Frey (Hrsg.). Föderalismus – zukunftstauglich? Zürich 2005].
- 404 Cf. [A. Vatter. Kantonale Demokratien im Vergleich. Entstehungsgründe, Interaktionen und Wirkungen politischer Institutionen in den Schweizer Kantonen. Opladen 2002, S. 461 ff.], [Schweizerischer Bundesrat. Botschaft zur Neugestaltung des Finanzausgleichs und der Aufgaben zwischen Bund und Kantonen (NFA) vom 14. November 2001. BBI 2002 2291, see in particular p. 2311], [C. A. Schaltegger. Ist der Schweizer Föderalismus zu kleimräumig? Schweizerische Zeitschrift für Politikwissenschaft 2001 (7), S. 1 ff.], [Bundesamt für Statistik und Bundesamt für Raumplanung. Die Grossregionen der Schweiz. Die Schweiz im NUTS-Regionsystem. Neuenburg 1999]. The clearest indication of pressure for regional reforms can be seen at communal level. The most spectacular example of such merger efforts is the decision of the People’s Assembly in Glarus on 7 May 2006 to merge the existing 25 communes into three communes over the coming years. At cantonal level economic efficiency considerations have been the main driving force, and this has led in various cantons to the launch of popular initiatives and parliamentary proposals. For cantonal territorial reforms, there are not only advantages but also a wide range of disadvantages. The change to a new territorial allocation would conflict with the structures that have grown up over time and would therefore meet with political resistance. It would also be feared that forming large regions would lead to a loss of cultural identity, an increase in faceless bureaucracy and a reduction in the opportunities for the integration of linguistic and cultural minorities. In addition, it should be noted that Switzerland’s regions are in varying stages of institutional preparation for any political merger of their cantons. Vatter comes to similar, conflicting constitutional conclusions. It may indeed appear at first sight that an argument for democracy and fairness in relation to the reform of central federalist institutions such as the Council of States and the double majority for constitutional referendums favours territorial reform. However possible repercussions would include a loss of cultural identity in the small rural cantons, the weakening of the special position of cultural and regional minorities, the simultaneous formation of new minorities, less local autonomy, greater difficulty in reaching an internal consensus and increased direct democratic opposition within the new large cantons. In the worst case scenario, there would be gains in efficiency at the expense of political stability. Schaltegger comes to the conclusion that territorial reform is not urgently needed because advantages of merging geographical areas – increased economies of scale in public services as well as the internalisation of benefit spill-over from urban centres – do not outweigh the advantages of small scale, direct democratic federalism – in particular its disciplining influence on fiscal behaviour and public expenditure. In the referendum on 2 June 2002, the initiative for a merger between the cantons of Geneva and Vaud was overwhelmingly rejected, by 79.9% of the electorate in the Canton of Geneva and 77.3% in Vaud. The Federal Council stated its position on territorial reform in its response to the Jutzen Postulate (98.3402) “Swiss territorial allocation”. It is “convinced that changes must come from those who are most interested, i.e. from the cantons and their people.”
- 405 On 15 December 2006, the Federal Council accepted the draft of the national “eHealth” strategy. After it has heard the interested groups, it will make a final decision on the strategy. “eHealth” or “Electronic Health Services” includes the integrated use of information and communications technologies for the design, support and networking of all processes and participants in health care.
- 406 Federal Council Decree of 1 August 1998: strategy mandate to the Interdepartmental Coordination Group Information Society (KIG). Federal Council Decree of 28 July 2000: Strategy on “Information Assurance” in accordance with the request from DETEC, FDF and DEA. In the strategy it is laid down that functioning information and communications infrastructures are an indispensable requirement for the governability of a state, the control of the financial markets and ensuring the availability of products, transport and the supply of goods, energy and services. Accordingly the Federal Strategy Unit for IT and the National Economic Supply, together with related agencies in the private sector, were instructed to set up the required bodies. This was done via the Registration and Analysis Unit for Information Security (MELANI), the Special Staff for Information Assurance (SONIA) and the Cadre Organisation (in the militia system) for Information and Communications Infrastructure (ICT-I), as well as the National Economic Supply.
- 407 Cf. [Schweizerischer Bundesrat. Botschaft über die Volksinitiative “Volkssouveränität statt Behördenpropaganda” vom 29. Juni 2005. BBI 2005 4373], [Arbeitsgruppe erweiterte Konferenz der Informationsdienste. Das Engagement von Bundesrat und Bundesverwaltung im Vorfeld von eidgenössischen Abstimmungen. Bern 2001].
- 408 With the adoption of its “Strategy for an information society in Switzerland”, which will become valid from the end of 2008, the Federal Council on 18 January 2006 commissioned the preparation of a Swiss e-Government-strategy that will be drawn up in cooper-

- ation with the cantons and which should form the foundation for efficient ICT-based administrative work.
- 409 Cf. [Schweizerischer Bundesrat. Bericht über die Pilotprojekte zum Vote électronique vom 31. Mai 2006. BBI 2006 5459].
- 410 The two World Information Summits that were held in December 2003 in Geneva and in November 2005 in Tunis, confirmed this key role.
- 411 It acknowledges in general the important role that libraries play in the information society, but stresses with reference to the principle of subsidiarity the special task of the Swiss National Library. See letter from Federal Councillor Couchepein dated 7.7.2006 to the SNL.
- 412 In this sense, the legislature has given radio a constitutional duty to provide services (Federal Constitution Art. 93 para. 2).
- 413 The new Radio and Television Act was adopted on 24 March 2006 by parliament and came into force on 1 April 2007.
- 414 The focus is on the public service of SRG SSR, which must have sufficient manpower and resources to fulfil its mandate and to be able to hold its own in competition with foreign channels. The new media system must tailor itself to a wide variety of requirements. On the one hand Swiss public service broadcasting must be protected and supported in competition with foreign media, but on the other, international trends demand an opening of the market. The general conditions for private radio and television production companies are being simplified. Access to the market will be easier for them due to the abolition of the licensing requirement; they can also benefit from a more liberal advertising system.
- 415 For general information on this issue, see [C. Büchi. "Rösti-graben". Das Verhältnis zwischen deutscher und französischer Schweiz. Geschichte und Perspektiven. Zürich 2000]. These aspects include for example European and foreign policy, the differing understandings of the state (slimmed-down versus social state), economic development in the various parts of the country, the structure of regional equalisation mechanisms and the issue of which foreign language should be learned first in schools.
- 416 The result of the vote on 4 March 2001 on the initiative "Yes to Europe", for example, seems to confirm this. Just as it was in German-speaking Switzerland, the initiative was rejected in French-speaking Switzerland and in the Canton of Ticino, albeit by a lesser margin. In the vote on the amendment of the Federal Act on the Armed Forces and the Military Administration (Weapons), no divisions between the language regions were to be seen. In the UN accession vote, an important openness issue was approved by the whole of Switzerland, with the differences in percentages of Yes votes between the language regions being relatively small. However, the initiative was rejected in the Canton of Ticino by a relatively wide margin. This pattern observed in relation to UN accession has been repeated for the most recent bills on European policy (Schengen/Dublin, expanding the free movement of persons, aid to Eastern Europe): French-speaking Switzerland has been more clearly in favour of increased openness than German-speaking Switzerland, whereas Italian-speaking Switzerland has been clearly against such legislation.
- 417 See the results of the votes for the individual language regions as calculated by the Federal Statistical Office. In the votes on the Employment Act, maternity leave insurance, AHV, unemployment insurance or the Post initiative, voting behaviour in the two largest language regions differed considerably.
- 418 Vgl. [Bundesamt für Statistik BFS (Ed.). Statistisches Jahrbuch der Schweiz 2005. Neuenburg 2005, p. 773]. Four out of the five financially weakest cantons are cantons in French-speaking Switzerland – Valais, Jura, Fribourg and Neuchatel (according to the 2002–2003 calculation of financial capacity by the Federal Finance Administration FFA). Vaud is placed at 10 (financially medium to strong), Ticino at 14 (financially medium to strong) and Geneva comes fourth (financially strong). <http://www.efv.admin.ch/f/dokumentation/downloads/themen/bundesfinanzen/finanzausgleich/pressem.pdf>. At the same time Valais, Jura, Neuchatel and Fribourg post a very high tax burden (they are all ranked under the six cantons with the highest tax burden). http://www.estv.admin.ch/d/dokumentation/zahlen_fakten/steuerbelastung_g_2006.htm.
- 419 Popular initiatives for only one foreign language in the primary school have been voted on in the cantons of Schaffhausen, Thurgau, Zug and Zurich and rejected in every case. Further decisions are due to be made in Lucerne and Glarus.
- 420 What is being encouraged is the dialogue between the various sections of the population and the regions of the country and between the Swiss and the foreign population. One of the main accents is also on the intercultural dialogue, with the aim of bringing about greater interaction between cultures with the aid of projects. With the ongoing revision of the Pro Helvetia Act and with the creation of a new Federal Culture Promotion Act in implementation of Article 69 of the Federal Constitution, it is intended to make it possible to increase these efforts. Support for translations is one of the four focal points for the Swiss cultural foundation Pro Helvetia in the years 2007–2011. The Foundation will thus encourage not only understanding between the various language regions of Switzerland but also communication with other countries. By means of this programme, Pro Helvetia is responding to a request from Swiss authors. At the same time, this should make culture more accessible – an issue that in coming years will be the main objective of the Pro Helvetia Foundation.
- 421 Cf. [GfS-Forschungsinstitut. Institut für Politikwissenschaft der Universität Bern, Forschungsstelle für Politische Wissenschaft der Universität Zürich und Département de science politique, Université de Genève. Analysen der Eidg. Urnengänge 1998–2002 (VOX-Analysen)]. Of a total of 49 legislative bills that were voted on between 7 June 1998 and 3 March 2002, a city-country difference was only manifest in 13 cases. This was primarily in foreign policy (accession to the UN, Yes to Europe, but not in the case of bilateral agreements), transport and energy policy (roads for all; solar initiative; incentives for renewable energy; energy incentive tax for the environment; funding for public transport; mileage related heavy goods vehicle charge), asylum policy (emergency measures on asylum; Asylum Act) and institutional issues (eligibility for election to the Federal Council, new Federal Constitution). See the results of votes calculated by the Federal Statistical Office for urban and rural communes. Of a total of around 70 legislative bills that have been voted on since 2000, only in 12 cases has there been a difference of more than 10 percentage points between the votes in urban and rural communes. These votes include those on foreign policy matters, abortion, maternity leave insurance, same-sex partnerships and simplified naturalisation.
- 422 Cf. [Schweizerischer Bundesrat. Bericht über die Evaluation der Wirksamkeit des Gleichstellungsgesetzes vom 15. Februar 2006. BBI 2006 3161].
- 423 On the subject of government procurement, see <http://www.equality-office.ch/d/erwerbsleben-lohngleichheit.htm#3>; on the subject of equal salaries, see: <http://www.equality-office.ch/d/logib.htm>
- 424 The interdepartmental working group on gender mainstreaming set up by the Federal Council has conducted its first pilot projects in the Federal Administration. A brief description of these projects together with a summary of experiences recorded can be found on the FOGE website: <http://www.equality-office.ch/d/gender.htm>. The same working group had produced a guide to the integration of equal rights for men and women in daily work of federal administration employees, see "Gender Mainstreaming in der Bundesverwaltung". Bern 2004]
- 425 Cf. [Hrsg. Schweizerische Konferenz der Gleichstellungsbeauftragten und VPOD: An Frauen sparen? Zürich, Bern 1996.]
- 426 Federal Act of 13 December 2002 on the Elimination of Discrimination against People with Disabilities (SR 151.3), which came into force on 1.1.2004.
- 427 Cf. [Schweizerischer Bundesrat. Botschaft zur 5. Revision des Bundesgesetzes über die Invalidenversicherung vom 22. Juni 2005. BBI 2005 4459].
- 428 This possibility is provided for in the Federal Act on the Elimination of Discrimination against People with Disabilities (SR 151.3) and in the Invalidity Insurance Act (SR 831.20); initial projects are already being supported by the Confederation. The Federal Bureau for the Equality of People with Disabilities FBED has also launched a dialogue with businesses and those concerned, which has the development of further projects as one of its main goals.
- 429 Cf. the Ordinance of 10 June 2005 on the Assistance Budget Pilot Project (SR 831.203).
- 430 Cf. [Le Monde Diplomatique. Atlas der Globalisierung. Die neuen Daten und Fakten zur Lage der Welt. Paris 2006], [T. Friedman. The World is Flat. A Brief History of the Globalized World in the 21st Century. New York 2005], [J. Osterhammel, N.P. Petersson. Geschichte der Globalisierung. Dimensionen, Prozesse, Epochen. Zweite, durchgesehene Auflage. München 2004], [Deutscher Bun-

- destag. Enquête-Kommission "Globalisierung der Weltwirtschaft – Herausforderungen und Antworten". Berlin 2002], [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. München 1997, S. 44–51], [OECD. Aufbruch in ein neues globales Zeitalter. Paris 1997], [U. Beck. Was ist Globalisierung? Irrtümer des Globalismus – Antworten auf Globalisierung. Frankfurt am M. 1997], [F. Cairncross. The Death of Distance. How the Communications Revolution will Change our Lives. Boston Mass. 1997], [Commission Française pour l'UNESCO. Le choc de la Mondialisation. Naissance d'une nouvelle Civilisation. Paris 1997], [Bundesamt für Konjunkturfragen. Modernisierung am Standort Schweiz. Zürich 1996], [T. Gaudin et al. 2100, Odyssée de l'Espèce. Paris 1993]. In comparison with earlier thrusts of globalisation (for example, during the second half of the 19th century), the current thrust of globalisation is occurring at a higher technological level and the intensity of international exchange (in goods, information, services, finance and persons) is far greater. Environmental risk is a new factor in the equation. The experience of both World Wars and the rivalry between political systems in a bi-polar world is significantly different compared to bygone eras, and development is influenced to a lesser extent by nationalism, bilateralism and imperialism. Multinational enterprises, international political organizations and forms of regional cooperation currently play a major role. Recourse to earlier thrusts of internationalisation is therefore insufficient to explain the current trends.
- 431 The term globalisation should therefore be understood in the following text in the general sense of the word, indicating the influence of both the present era and the foreseeable future. The term clearly reaches beyond the scope of the continuing integration of the world economy, better known as economic globalisation. To find out more about the origin and the meaning of the term "globalisation", Cf. [J. Osterhammel, N.P. Petersson. Geschichte der Globalisierung. Dimensionen, Prozesse, Epochen. Zweite, durchgesehene Auflage. München 2004, S. 7 ff.].
- 432 Cf. [K.H. Metz. Ursprünge der Zukunft. Die Geschichte der Technik in der westlichen Zivilisation. Zürich 2006], [T. Friedman. The World is Flat. A Brief History of the Globalized World in the 21st Century. New York 2005], [OECD. Technologien des 21. Jahrhunderts. Herausforderungen einer dynamischen Zukunft. Paris 1998], [OECD. Aufbruch in ein neues globales Zeitalter. Herausforderungen und Chancen. Paris 1997], [Commission Française pour l'UNESCO. Le choc de la Mondialisation. Naissance d'une nouvelle Civilisation. Paris 1997], [Bundesamt für Konjunkturfragen. Modernisierung am Standort Schweiz. Zürich 1996], [T. Gaudin et al. 2100, Odyssée de l'Espèce. Paris 1993].
- 433 For an overview of the state of the various satellite transmission systems, Cf. www.difu.de/redir/satelliten.html.
- 434 Problems could also arise due to the fact that certain countries unilaterally authorise human cloning or genetic modification of human stem cells. These activities could call into question the dignity of mankind and the current means of transport could easily make it possible for people to evade the bans on human cloning in force in their own countries by travelling to other countries where these activities are legal.
- 435 Cf. [I. Abele-Wigert, M. Dunn, V. Mauer. International CIIP Handbook 2006. Vol. 1: An Inventory of 20 National and 6 International Critical Information Infrastructure Protection Policies. Vol. 2: Analyzing Issues, Challenges and Prospects. Center for Security Studies, ETH Zurich. Zurich 2006], [OECD. Emerging Risks in the 21st Century: An Agenda for Action. Paris 2003], [Basler und Partner AG. Risikoprofil Schweiz. Umfassende Risikoanalyse Schweiz. Zollikon 1999], [U. Beck. Risikogesellschaft. Auf dem Weg in eine andere Moderne. Frankfurt am Main 1986].
- 436 Cf. [Business Wire. Diverse Industries Universally Endorse Digital Manufacturing as Proven Competitive Tool; Next Step: Commonize Data Across the Enterprise to Gain Full Potential. Nov 15 2005]. Dassault's Falcon 7X Business Jet, which was presented in 2005, is one of the most complex products developed and built to date using networks. Cf. also [A. Volker, H. Dettmering, T. Engel, A. Karcher. Product Lifecycle Management beherrschten. Ein Anwenderhandbuch für den Mittelstand. Berlin, Heidelberg, New York 2005].
- 437 Cf. [United Nations Conference on Trade and Development UNCTAD. World Investment Report 2005. Genf 2005, www.unctad.org/Templates/WebFlyer.asp?intItemID=3489&lang=1,p. 13]. The definitions and estimated number of multinational enterprises are found in this report.
- 438 Cf. [OECD. Working Party of the Trade Committee. China's Trade and Growth: Impact on selected OECD Countries. Paris May 2006], [OECD. Executive Committee in Special Session. China and India: Their impact on labour markets in OECD countries. Paris April 2006], [R. Skidelsky. The Chinese Shadow. New York 2005], [K. Pilny. Das asiatische Jahrhundert. China und Japan auf dem Weg zur neuen Weltmacht. Frankfurt am Main 2005], [US National Intelligence Council. Mapping the Global Future. Report on the National Intelligence Council's 2020 Project. Washington 2004].
- 439 Cf. [World Bank. World Development Report 2005: A better investment climate for everyone. Washington 2005].
- 440 Cf. [R. J. Shiller. The New Financial Order: Risk in the 21st Century. Princeton 2003], [G. Davies. A History of Money from Ancient times to the Present Day. 3rd ed. Cardiff 2002], [S. Strange. Casino Capitalism. Neuauflage. Oxford 1999], [A. Lucatelli. Finance and World Order: Financial Fragility, Systemic Risk, and Transnational Regimes. Diss. Universität Zürich 1997].
- 441 Cf. [International Monetary Fund IMF. Global Financial Stability Report. A Report by the International Capital Markets Department on Market Developments and Issues. Washington D.C. Ongoing publications, Cf. www.imf.org/external/pubs/ft/gfsr/index.htm].
- 442 Following a series of mergers and acquisitions, the major Swiss banks are seeking to acquire a homogenous profile at international level; similar trends have been observed in Europe (see the case of the "Royal Bank of Scotland") and in North America. In Asia, the inevitable reform of the banking system and the consolidation of the sector are still pending. The global process of concentration also includes the stock exchanges, as illustrated by the merger between the New York Stock Exchange and the European Euronext exchange, resulting in the world's largest financial market.
- 443 According to estimates by the Financial Times, the volume traded in global currency markets (especially spot markets of the five major world currencies, i.e. the US dollar, the Euro, the British pound, the yen and the Swiss franc) reached a new record of USD 1,900 b in autumn of 2004. The currency market alone (without taking other financial instruments into account) amounts to approximately 150 times real trade in goods and services.
- 444 Cf. [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. Neuauflage. München 2002]. The extent to which Asian countries are evolving towards another growth model remains to be determined. We can nonetheless assume that there is at least a tendency in these countries towards opening to foreign investors and international trade. In this regards Cf. for example the accession of the People's Republic of China to the WTO on 10 November 2001 and [OECD. Governance in China. China in the Global Economy. Paris 2005].
- 445 Cf. [OECD. Working Party of the Trade Committee. China's Trade and Growth: Impact on selected OECD Countries. Paris May 2006], [OECD. Executive Committee in Special Session. China and India: Their impact on labour markets in OECD countries. Paris April 2006], [R. Skidelsky. The Chinese Shadow. New York 2005], [K. Pilny. Das asiatische Jahrhundert. China und Japan auf dem Weg zur neuen Weltmacht. Frankfurt am Main 2005], [US National Intelligence Council. Mapping the Global Future. Report on the National Intelligence Council's 2020 Project. Washington 2004].
- 446 Cf. [World Bank. S. Kikeri, A. F. Kolo. Privatization: Trends and recent developments. World Bank Policy Research Working Paper 3765. Washington D.C. November 2005], [OECD. Privatising State-owned Enterprises: An Overview of Policies and Practices in OECD Countries. Paris 2003]. The privatisation policy adopted in the UK and in New Zealand in 1987 launched a worldwide privatisation trend. The other industrialised countries followed suit with large-scale privatisation processes of their own barely a decade later by privatising state infrastructure and public companies. The collapse of financial markets after the dot-com bubble burst at the end of the 1990s significantly slowed down the privatisation process, without bringing privatisation trend to a halt: In the past two years, further state holdings have been privatised. Regardless of the international privatisation trend, there are huge differences among individual OECD countries in regards to the point in time and the scope of the sale of state property. If we use the revenue gained through privatisations in relation to GDP as a benchmark, Portugal is the front runner in terms of privatisation due to its almost all-embracing public economy; while the USA, where already in 1977 there was barely anything left to privatise, brings up the rear. Switzerland is also a straggler: with the exception of the partial privatisation of

- Swisscom, Switzerland has not generated any notable revenue through the privatisation of public property.
- 447 Cf. [J. Williamson. What Should the World Bank Think about the Washington Consensus? Worldbank. The World Bank Research Observer. Bd. 15, Nr. 2 (August), S. 251–64, 2000], [J. Williamson. What Washington Means by Policy Reform. In: John Williamson (Hrsg.). Latin American Adjustment: How Much Has Happened? Institute for International Economics. Washington D.C. 1990]. Fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalization; a competitive exchange rate; trade liberalization; liberalization of inflows of foreign direct investment; privatization; deregulation (to abolish barriers to entry and exit); secure property rights. The Washington Consensus is a phrase originally coined by J. Williamson.
- 448 Cf. [United Nations Development Program UNDP. Human Development Report 2005. International Cooperation at a Crossroads: Aid, Trade and Security in an Unequal World. New York 2005, hdr.undp.org/reports/global/2005/].
- 449 Cf. [H.-J. Chang. Globalization, Economic Development and the Role of the State. London 2003].
- 450 Cf. [International Labour Office ILO. Economic Security for a Better World. Geneva 2004], [UNO. Division for Social Policy and Development. Report on the World Social Situation. Social Vulnerability: Sources and Challenges. A/58/153/Rev.1. New York 2003. <http://www.un.org/esa/socdev/rwss/rwss.htm>]. Both of these documents emphasise the need to implement social measures to cushion the effects of necessary structural reforms for market liberalisation.
- 451 Cf. [International Labour Office. World Commission on the Social Dimension of Globalization WCDG. A Fair Globalization. Creating Opportunities for all. Geneva 2004].
- 452 Cf. [OECD. Governance in China. China in the Global Economy. Paris 2005]. China is expected to undergo a country review for regulatory reform in the context of the OECD Outreach programme.
- 453 Companies from these countries are already intensively and successfully involved in areas such as digital telecommunications (Korea, Singapore), semi-conductor and computer technology (Malaysia, Taiwan) or robotics (Korea). China is gradually outgrowing its role of supplying spare parts (OEM, original equipment manufacturer), which are then used in products that are sold under labels of high-tech companies from the Western world. The sale of IBM's PC branch to the Chinese company Lenovo is an indication of this trend.
- 454 Cf. [S. Charnovitz. The (Neglected) Employment Dimension of the World Trade Organization. In: V. Leary and D. Warner (ed.). Social Issues, Globalization and International Institutions: Labour Rights and the EU, ILO, OECD and WTO. Leiden, Boston 2006], [A. Sukthankar, N. Scott. Human and Labor Rights under the WTO. In: L. Wallach, P. Woodall (ed.). Whose Trade Organization. A Comprehensive Guide to the WTO. New York, London 2004], [World Bank. Company Codes of Conduct and International Standards: An Analytical Comparison. Washington D.C. 2003], [OECD. International Trade and Core Labour Standards. Paris 2000], [G. van Liemt. International Trade and Workers' Rights: More than a Conditional Link? In: B. Hocking, S. McGuire (ed.). Trade Politics. International, Domestic and Regional Perspectives. London 1999].
- 455 Cf. [W. Merkel, H.-J. Puhle, A. Croissant (Hrsg.). Defekte Demokratien. Bd.2, Defekte Demokratien in Osteuropa, Ostasien und Lateinamerika. Wiesbaden 2004], [W. Merkel, H.-J. Puhle, A. Croissant (Hrsg.). Defekte Demokratien. Bd.1, Theorien und Probleme. Wiesbaden 2003], [S. P. Huntington. The Third Wave. Democratization in the Late Twentieth Century. London 1993]. Huntington describes three waves of democratisation and two reversals. The first wave of democratisation, which began with the French and American revolutions, lasted from 1828 to 1926. What followed was a phase of reversal (fascism) from 1922 to 1942. A shorter wave of democratisation appeared near the end of the Second World War lasting from 1943 to 1957, and was followed by another shorter reversal (1958–1975). And, the third wave of democratisation has been in progress since 1974. It began with the fall of the Caetano regime in Portugal, followed by similar incidents in Greece and Spain. The wave then brought down the authoritarian regimes in Latin America and culminated in the change in political systems in Europe.
- 456 Cf. [Freedom House. Freedom in the World 2006: The Democracy Gap. Washington 2005, www.freedomhouse.org/template.cfm?page=5]. According to the Freedom House report, only 11 out of Africa's 54 countries are rated as free, 24 as partly free and 19 as not free. The report shows that Botswana has a rating of 2.0 which is equivalent to "free" (based on a scale where 1.1 represents the most free and 7.7 the least free rating; the first column indicates ratings for political rights and the second column, ratings for civil liberties).
- 457 Cf. [W. Weidenfeld (Hrsg.). Den Wandel gestalten – Strategien der Transformation, Ergebnisse der internationalen Recherche. Gütersloh, 2 Bde. 2001 und 2002], [W. Merkel, H.-P. Puhle. Von der Diktatur zur Demokratie. Transformationen, Erfolgsbedingungen, Entwicklungspfade. Opladen 1999], [Z. T. Pällinger. Der Umbruch in Osteuropa und die Theorien des Systemwechsels. In: Eidg. Techn. Hochschule. Forschungsstelle für internationale Beziehungen. Beiträge Nr. 10. Zürich 1997].
- 458 Cf. [B. Hotz-Hart et al. Exzellent anders! Die Schweiz als Innovationshost. Zürich 2006], [B. Hotz-Hart et al. Innovation Schweiz – Herausforderungen für Wirtschaft und Politik. Zürich 2003], [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. München 2002], [B. Hotz-Hart, A. Reuter, P. Vock. Innovation: Wirtschaft und Politik im globalen Wettbewerb. Bern 2001].
- 459 Cf. [Staatssekretariat für Wirtschaft, seco. Bericht zur Dienstleistungsliberalisierung in der Schweiz im Vergleich zur EU. Bern 29. November 2005 <http://www.seco.admin.ch/dokumentation/publikation/00004/00018/01808/index.html>].
- 460 Cf. [Staatssekretariat für Wirtschaft, seco. Langfristiges Wachstumsszenario für die Schweizer Wirtschaft. Bern 2006. http://www.seco.admin.ch/suchen/index.html?keywords=Wachstumsszenario+&go_search=Suchen&lang=de]
- 461 Long-term forecasts are difficult to make for overall environment-related matters due to the lack of available scientific knowledge. We can expect new and sometimes surprising discoveries in the future. According to the latest studies, for example, the rise in sea level is apparently quicker than predicted. It is all the more important, therefore, to implement global monitoring and apply the Precautionary Principle, as defined in the Rio Declaration (Principle 15: Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation). The following reference provides a country comparison regarding the implementation of environmental objectives [D. C. Esty, M. Levy, T. Srebotnjak, A. de Sherbinin, C. Kim and B. Anderson. Pilot 2006 Environmental Performance Index. New Haven 2006]. Switzerland ranks 16 in this list in terms of proximity-to-target with 81 per cent, behind the front-runner New Zealand (88 per cent), the Northern states and some other European countries. The USA ranks 28. The African countries and Pakistan are at the bottom of the list.
- 462 Cf. [F. X. Perrez. Cooperative Sovereignty: From Independence to Interdependence in the structure of International Environmental Law. The Hague, London, Boston 2000. S. 272–277].
- 463 Cf. [F. Biermann, S. Bauer (Hrsg.). A World Environment Organization: Solution or Threat for Effective International Environmental Governance? Ashgate 2005].
- 464 Cf. [F. Biermann, S. Bauer (Hrsg.). A World Environment Organization. Solution or Threat for Effective International Environmental Governance? Ashgate 2005], [D. C. Esty. Johannesburg a failure, but lessons abound. Environmental summit disappoints with its lack of leadership and focus. In: The Yale Herald. Vol. XXXIV. No. 3, Sept. 20 2002.]. For a general overview of the results of the WSSD Cf. [L. Kimball, F. X. Perrez, and J. Werksman. The Results of the World Summit on Sustainable Development: Targets, Institutions, and Trade Implications. In: Yearbook of International Environmental Law 13 2002].
- 465 Cf. [P. Roch, F. X. Perrez. International Environmental Governance: The Strive Towards a Comprehensive, Coherent, Effective and Efficient International Environmental Regime. In: Colorado Journal of International Environmental Law and Policy 16(1) 2005]. An important challenge facing the international community will be to consolidate the existing environmental regimes and translate them into an appropriate institutional framework in order to minimise regime-related disadvantages (high level of fragmentation, partially low level of commitment from states).
- 466 Cf. [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2007: The Physical Science Basis. Summary for Policy-

- makers. http://ipcc-wg1.ucar.edu/wg1/docs/WG1AR4_SPM_Approved_05Feb.pdf, [WMO Green-house Gas Bulletin No. 2 (2006): The State of Greenhouse Gases in the Atmosphere Using Global Observations up to December 2005, <http://gaw.kishou.go.jp>], [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2001 – The Scientific Basis. Third Assessment Report. Cambridge 2001, S. 10, www.grida.no/climate/ipcc_tar/wg1/007.htm]. The CO₂ concentration in the atmosphere due to anthropogenic emissions increased 35 per cent (from 280 ppm to 379 ppm) between 1750 and 2005. During the same period, the amount of methane (CH₄) increased 155 per cent and nitrous oxide (NO₂), 18 per cent. This has radically changed the climate both regionally and globally since pre-industrial times.
- 467 Cf. [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2007: The Physical Science Basis. Summary for Policy-makers. http://ipcc-wg1.ucar.edu/wg1/docs/WG1AR4_SPM_Approved_05Feb.pdf], [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2001 – The Scientific Basis. Third Assessment Report. Cambridge 2001, S. 38 und 77, http://www.grida.no/climate/ipcc_tar/wg1/016.htm und http://www.grida.no/climate/ipcc_tar/wg1/035.htm]. The climate will continue to change, even if the CO₂ concentration were stabilised at their current level. This is due to the fact that the accumulation of greenhouse gases remains in the atmosphere for hundreds of years and that the oceans react only slowly to the increase in temperature.
- 468 Cf. [Schweizerischer Bundesrat. Botschaft über das Protokoll von Kyoto zum Rahmenabkommen der Vereinten Nationen über Klimaänderungen vom 21. August 2002. BBI 2002 6385]. The Intergovernmental Panel on Climate Change, IPCC, in which Switzerland is also involved, was created in 1988 by the World Meteorological Organization and the United Nations Environment Programme with the aim of assessing expert knowledge on climate change on an on-going basis. More than 2000 specialists worldwide are involved in drawing up the IPCC status reports on the basis of a multi-tier evaluation process. The reports are the consensus of a large majority of the active scientific community dealing in climate change matters.
- 469 Cf. [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2007: The Physical Science Basis. Summary for Policy-makers., http://ipcc-wg1.ucar.edu/wg1/docs/WG1AR4_SPM_Approved_05Feb.pdf], [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2001 – The Scientific Basis. Third Assessment Report. Cambridge 2001, S. 13–16, www.grida.no/climate/ipcc_tar/wg1/008.htm], [Schweizerischer Bundesrat. Botschaft zur Genehmigung des CO₂-Abgabesatzes für Brennstoffe vom 22. Juni 2005. BBI 2005 4885]. The best temperature evaluation in the fourth IPCC report for a low-impact scenario is an increase in temperature of 1.8°C during the 21st century, with a fluctuation margin of 1.1–2.9°C. The best evaluation for a high impact scenario is 4.0°C (fluctuation margin: 2.4–6.4°C). This range is largely consistent with the projected range (1.4–5.8°C) in the Third Assessment Report (TAR). The upper limits of the fluctuation margins are higher in than those in the TAR, essentially due to the higher evaluation of the retroactive effects of the carbon cycle. The updated linear annual trend of 0.74°C for the period from 1906 to 2005 is greater than the corresponding value in the TAR (0.6°C for the period of 1901 to 2000). The warming rate for the past 50 years is nearly twice as high as the rate for the past 100 years. If the CO₂ concentration doubles, the average global temperature increases by 2.0–4.5°C (TAR: 1.4–4.5°C). The best evaluation amounts to about 3.0°C (previous evaluation: 2.5°C). A warming rate below 1.5°C is highly unlikely, while a warming rate above 4.5°C cannot be ruled out. The most recent studies predict above average warming for Europe. Climate models lead us to believe that in the second half of the century, every fourth summer will be as warm as the hot summer of 2003. Such a climate change has an effect on nature, people, infrastructure and economic life: Health problems, crop failure, disruptions to energy supplies and forest fires are the result. Overall the heatwave of 2003 contributed to 975 premature deaths in Switzerland. Mortality was 30 per cent higher than the long term average. Damage caused in Europe in that summer are estimated at EUR 10–17 billion. The long term costs of global warming for Europe are estimated by the UN with a fall in GDP of up to 2.8 per cent. These costs applied to Switzerland would imply losses in the order of over CHF 12 billion.
- 470 Cf. [Intergovernmental Panel on Climate Change (IPCC). Climate Change 2007: The Physical Science Basis. Summary for Policy-makers., http://ipcc-wg1.ucar.edu/wg1/docs/WG1AR4_SPM_Approved_05Feb.pdf], [IPCC. Climate Change 2001 – The Scientific Basis, Third Assessment Report. Cambridge 2001, S. 39–40 und S. 77, www.grida.no/climate/ipcc_tar/wg1/016.htm und http://www.grida.no/climate/ipcc_tar/wg1/035.htm]. It is worth noting that the CO₂ contained in fossil fuels was already in the atmosphere millions of years ago, however, a large quantity of the CO₂ stored in fossil fuels released into the atmosphere in a geologically extremely short period of time causes, on the one hand, unpredictable climate fluctuations, because the currently delicate climate balance is easily upset. On the other hand, the CO₂ released into the atmosphere could in the long term lead to similar situations to those having existed long before the fixation of CO₂ in fossil fuels, such as sea level more than 70 metres above the current level due to melting ice of the Antarctic and of Greenland. The current atmospheric CO₂ concentration is at the highest level in 650,000 years, probably even in 20 million years.
- 471 Cf. [Schweizerischer Bundesrat. Botschaft zur Genehmigung des CO₂-Abgabesatzes für Brennstoffe vom 22. Juni 2005. BBI 2005 4885], [Schweizerischer Bundesrat. Botschaft über das Protokoll von Kyoto zum Rahmenabkommen der Vereinten Nationen über Klimaänderungen vom 21. August 2002. BBI 2002 6385]. To stem climate change, green house gases need to be reduced. According to climatologists, industrialised countries would need to reduce greenhouse gases by 60 to 80 per cent by 2100. Due to the long life of greenhouse gases in the atmosphere, countries need to start reducing greenhouse gases as soon as possible. Climate policy measures are therefore an investment and a contribution towards preventing economic damage. In addition to reduction measures, climate change adaptation strategies need to set in place, including the protection against natural hazards, such as melting polar ice and thawing permafrost, heavy precipitation, rock slides, debris flows and landslides that are caused by higher temperatures and changes in precipitation patterns.
- 472 Cf. [World Resources Institut. Millennium Ecosystem Assessment. Ecosystems and Human Well-being. Washington D.C. 2005, S. 35 ff., www.millenniumassessment.org/en/article.aspx?id=58], [A. Balmford et al. Economic Reasons for Conserving Wild Nature. Science. Vol. 297, S. 952. Washington D.C. 9. August 2002 www.envirosecurity.net/conference/working/ReasonsConservWildNature.pdf]. Worldwide material losses caused by the destruction of the ecosystems are estimated at USD 250 million annually. In addition, it is estimated that approximately 12 per cent of bird species, 23 per cent of mammal species and 32 per cent of amphibian species worldwide are critically endangered.
- 473 Cf. [OECD International Energy Agency. Resources to Reserves. Oil&Gas Technologies for the Energy Markets of the Future. Paris 2005]. For a more critical approach to the uncertainties of the future availability of energy resources, Cf. [Wuppertal Institut für Klima, Umwelt, Energie (Hrsg.). Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. München 2005], [R. Hirsch et al. Peaking of World Oil Production: Impacts, Mitigation & Risk Management. 2005] and [W. Zittel, J. Schindler. The Countdown for the Peak of Oil Production has Begun – but what are the Views of the Most Important International Energy Agencies. 15 October 2004, www.energybulletin.net/2544.html].
- 474 The Marrakesh Accords contain 15 important measures for the formulation and implementation of the Kyoto Protocol, specifically designed, among other things, to monitor compliance with the Protocol, to apply the mechanisms under the Kyoto Protocol, to take into account carbon sinks and to promote climate protection in developing countries. The Marrakesh Accords clarify the remaining details regarding the mechanisms under the Kyoto Protocol on fulfilment of the contracting parties' obligations: Joint Implementation (joint implementation of climate protection measures with partners in other industrialised countries, in particular in Eastern Europe); Clean Development Mechanism (a mechanism financed by industrialised countries to promote sustainable development in developing countries); Emissions Trading (trade of emission allowances for carbon dioxide, methane, nitrous oxide and other greenhouse gases).
- 475 Cf. [Prognos. Bundesratsvarianten zur Umsetzung des CO₂-Gesetzes. Arbeitspapier zu Modellrechnungen auf der Basis der neuen Referenzentwicklung der Energieperspektiven des Bundesamtes für Energie BFE. Basel März 2005], [Wuppertal Institut für Klima, Umwelt, Energie (Hrsg.). Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. München 2005].
- 476 Cf. [UN. Plan of Implementation of WSSD. Johannesburg September 2002].

- 477 Cf. [Europäische Union, Generaldirektion für Justiz, Freiheit und Sicherheit. Report of the Experts Group on Trafficking in Human Beings. Brüssel Dezember 2004].
- 478 Cf. [United Nations Population Division, Department of Economic and Social Affairs. Trends in Total Migrant Stock: The 2005 Revision. New York 2006]. 28% of the migrants are in Asia (including Turkey), 9.0 per cent in Africa, 3.5 per cent in Latin America and in the Caribbean, 2.6 per cent in Oceania, 33.6 per cent in Europe (without Turkey) and 23.3 per cent in North America and 16.8 in the territories of the former Soviet Union. The top migrant-receiving countries are the USA, Russia and Germany. The primary countries of migrant origin are China, India and the Philippines.
- 479 Cf. [United Nations Population Division, Department of Economic and Social Affairs. World Population Prospects: The 2004 Revision. New York 2005].
- 480 Cf. [Global Commission on International Migration. Migration in an Interconnected World: New Directions for Action. Geneva Oktober 2005. www.gcim.org/en/finalreport.html], [Bundesamt für Migration und Global Commission on International Migration. Common understandings and effective practices for a planned, balanced, and comprehensive approach to the management of migration. The Berne Initiative. International Agenda for Migration Management. Geneva 2005]. http://www.bfm.admin.ch/bfm/en/home/themen/internationales/multilaterales/international_agenda.html, [Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions immigration, integration and employment. Brussels 2003].
- 481 Cf. [Shell International. People and Connections: Global Scenarios to 2020. London 2002, www.shell.com/static/media-en/downloads/peopleandconnections.pdf], [B. R. Barber. Coca Cola und Heiliger Krieg. Jihad versus McWorld. Der grundlegende Konflikt unserer Zeit. Ergänzte Neuauflage. Bern, München, Wien 2001], [D. Fricke. Globalisierung und Bürgerkriege. Eine theoretische Analyse von Globalisierungsprozessen und ihrem Verhältnis zu regionalen Konflikten. Berlin 2000], [P. L. Berger. Die vier Gesichter der globalen Kultur. Europäische Rundschau. Nummer 1/98, S. 105 ff. 1998], [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. München 1997, S. 84 ff.], [U. Beck. Was ist Globalisierung? Frankfurt am Main 1997, S.48 ff.], [S. P. Huntington. Kampf der Kulturen. Die Neugestaltung der Weltpolitik im 21. Jahrhundert. München, Wien 1997].
- 482 Cf. [T. Friedman. The World is Flat: A Brief History of the Twenty-first Century. New York 2005]. The sale of IBM's PC division to the Chinese computer maker Lenovo Group, the acquisition attempt of Unocal Corporation by Chinese oil company CNOOC, and the acquisition of European steel giant Arcelor by the Indian company Mittal illustrate this trend.
- 483 Cf. [H. Küng. Projekt Weltethos. 9. Auflage. München 2004], [H. Küng. Spurensuche. Die Weltreligionen auf dem Weg. 6. Auflage. München 2004], [D. Ruloff (Hrsg.). Religion und Politik. Zürich/Chur 2001], [D. Fricke. Globalisierung und Bürgerkriege. Eine theoretische Analyse von Globalisierungsprozessen und ihrem Verhältnis zu regionalen Konflikten. Berlin 2000], [S. P. Huntington. Kampf der Kulturen. Die Neugestaltung der Weltpolitik im 21. Jahrhundert. München, Wien 1996]. According to Huntington, the clash of civilizations occurs at two levels and will continue to do so in the future. At the micro-level, adjacent groups along the fault lines between civilizations struggle, often violently, over the control of territory and resources. At the macro-level, states from different civilizations compete for relative military and economic power, struggle over the control of international institutions and third parties, and comparatively promote their particular political and religious values. Huntington contends that the fault lines between civilizations are replacing the political and ideological boundaries of the Cold War as the flashpoint for crisis and bloodshed. Based on an analysis of regional data on conflicts in Germany, D. Fricke concludes that individual and regional disintegration resulting from the globalisation process puts huge pressure on the projects and integration mechanisms put in place and that this tends to make exclusive ideologies, such as ethnicism, religious fundamentalism and right-wing extremism, increasingly attractive. This trend only becomes threatening at a political level, when political elites try to adopt these ideologies and to exploit them to ensure self-legitimation. Efforts, such as those by Hans Küng, towards a shared code of global ethics, also create counter-movements, which as Huntington also stated in his presentation in Zurich in 2001 will be successful in the long term. An example of this trend is the Congress of Leaders of World and Traditional Religions, which was held for the first time in 2003. At its second meeting in September 2006, the attending leaders decided that the Congress would be held every three years in Astana (capital of Kazakhstan). A specific example of this trend in Switzerland is the Swiss Council of Religions founded on 15 May 2006 whose task is to ensure dialogue between religious communities. It brings together the country's three leading Christian denominations and Muslim and Jewish communities.
- 484 The relevant products from European, Latin American, Indian and African cultures are also increasingly widespread. Globalised commercialisation and the capital investment this entails, however, continue to be substantially higher in the US.
- 485 Vgl. [P. L. Berger. Die vier Gesichter der globalen Kultur. Europäische Rundschau 1/98. S. 110. 1998]. According to Berger, the example of rock music shows that a whole set of values such as personal liberation, spontaneity, sexual freedom and rejection of every tradition perceived as being outdated are conveyed along with the music itself.
- 486 Cf. [Shell International. Exploring the Future. People and Connections. Global Scenarios to 2020. London 2002], [S. N. Eisenstadt. Die Vielfalt der Moderne. Weilerswist 2000. S. 110 ff.]. The second scenario of this study (Prism) is based on the assumption that global homogeneity is not achieved. In Prism, there is an emergence of multiple modernities that do not all achieve Western efficiency. Globalisation is world wide and an inch deep (p. 64). The shadow side of diversity are pockets of chauvinism, intolerance and racism.
- 487 Cf. [S. P. Huntington. Political Order in Changing Societies. New Haven, London 1968], [T. Parsons. Evolutionary Universals in Society. American Sociological Review 29. 1964. S. 339–357], [D. Lerner. The Passing of Traditional Society: Modernizing the Middle East. Glencoe, London 1964], [W. W. Rostow. The Stages of Economic Growth: A Non-Communist Manifesto. Cambridge 1960]. These classic theories of modernisation from the 1950s and the 1960s were normally subordinate to retroactive and imitative modernisation that emulated Western models, in order to reap similar success. A distinction can be made between sociological, political science and economic theories.
- 488 Cf. [R. Robertson. Globalisierung: Homogenität und Heterogenität in Raum und Zeit. In: U. Beck (Hrsg.). Perspektiven der Weltgesellschaft. Frankfurt am Main 1998], [A. Giddens. Konsequenzen der Moderne. Frankfurt am Main 1995], [J. Friedmann. Cultural Identity and Global Process. London 1995]. Zum Fall des Islam [B. Schoch. Dialog mit dem Islam. Für einen Wettstreit der Demokratien. Hessische Stiftung für Friedens- und Konfliktforschung. "Positionen". Heft 4/01]: "The anti-Americanism popular throughout the Islamic world projects all blame for the upheavals of modernisation on one enemy. Victimism draws attention away from the fact that their political elites have themselves contributed to their own misery. They are incapable of offering their countries the prospect of prosperity and democracy. Authoritarian systems have fed Islamism and the new strains of terrorism: The suppression of any opposition movement has raised the mosque to the only place where criticism can be voiced. Fundamentalism is first directed against their own reform-wary and corrupt elites." The UN reports on the situation in the Arab world [United Nations Development Programme UNDP. Arab Human Development Reports Creating Opportunities for Future Generations (2002). Building a Knowledge Society (2003). Freedom and Good Governance (2004). hdr.undp.org/reports/view_reports.cfm?type=2] confirm the findings in an impressive way. These reports are all drafted by Arab authors.
- 489 Cf. Charter of the United Nations, article 1(3): "[...] promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion." www.unric.org/index.php?option=com_content&task=view&id=108&Itemid=196&lang=de
- 490 Cf. [Freedom House. Freedom in the World 2006: Selected Data from Freedom House Annual Global Survey of Political Rights and Civil Liberties. New York 2005].
- 491 Cf. [H. Küng. Spurensuche. Die Weltreligionen auf dem Weg. 6. Auflage. München 2004], [D. Ruloff (Hrsg.). Religion und Politik. Chur, Zürich 2001].
- 492 Cf. [D. Ruloff (Hrsg.). Religion und Politik. Chur, Zürich 2001], [P. L. Berger. Die vier Gesichter der globalen Kultur. Europäische

- Rundschau 1/98, S. 111 ff. 1998]. Berger emphasizes the globalising force of evangelical Protestantism, which has been rapidly growing in particular in Latin America, in the Philippines, in East Asia, in the South Pacific, in East Asia, in the South Pacific and in the African countries south of the Sahara. In contrast, Islamic resurgence has been limited to countries that have always been Muslim and to Muslim Diaspora communities. Berger assumes that evangelical Protestantism is also favourable to pluralism, to the market economy and to democracy.
- 493 Organisations such as Friends of the Earth, Amnesty International, the International Federation of Red Cross and Red Crescent Societies, the World Wildlife Fund and Greenpeace have taken on the form of multinational organisations, employing hundreds of people worldwide.
- 494 Cf. [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. München 1997, S. 37 ff.]. In some countries such as the United States, Canada, Mexico, Brazil, India, the UK, Scandinavia, the Netherlands, Italy, Germany and Switzerland, associations and non-profit organisations have a long and thriving tradition. This is not the case in other countries, such as Japan and France, where initiatives like this are heavily influenced and limited by the omnipresence of the state. The same holds true for most countries in Africa, Asia and Latin America where the state has always played and continues to play the most important role in the organisation and mobilisation of national and local activities and resources. On a pragmatic level, these differently minded organisations are faced with difficulties in developing and maintaining effective forms of cooperation.
- 495 Cf. [Eidgenössisches Departement für auswärtige Angelegenheiten EDA. Globale öffentliche Güter. Die Globalisierung. Politorbis, Zeitschrift für Außenpolitik, Nr. 39 (3/2005). Bern 2005].
- 496 Cf. [Schweizerischer Bundesrat. Stellungnahme vom 21. September 2001 zur Motion 01.3399 von Nationalrätin Simonetta Sommeruga vom 22. Juni 2001], [F. X. Perrez. Cooperative Sovereignty: From Independence to Interdependence in the structure of International Environmental Law. Kluwer Law International 2000. S. 210–214. 2000]. For more information on the risk of a “race to the bottom” due to competition between business locations, Cf. F. X. Perrez. WTO regulations authorise import regulations on products that put the environment or the health of the population of the importing country at risk, however, they do not authorise import restrictions for products on the basis of their modes of production abroad, even if these modes of production are detrimental to the environment or to health. It might, however, become mandatory to declare these kinds of production methods.
- 497 Cf. [OECD. Modernising Government. The Way Forward. Paris 2005], [A. Lijphard. Patterns of Democracy. Government Forms and Performance in Thirty-Six Countries. New Haven and London 1999], [K. Armingeon, K. Blank. Handlungsspielräume nationaler politischer Systeme unter den Bedingungen starker internationaler wirtschaftlicher und politischer Verflechtungen. Schlussbericht NFP 42. Bern 1997, S. 8 ff.]. Armingeon and Blank's study, compares various policy areas of 23 OECD countries during the period of 1960–1993. During this period, the analysis of the development of various indicators (size of the tax burden, social insurance contributions, public spending, social policy transfer payments and the share of employees in the public sector) does not show any decrease in the range of dispersion. The increasing economic interdependence and intensified international competition between companies have incited nearly all countries to reform their welfare system. Substantial political changes, however, were only made under specific political and institutional circumstances. Either a party with a neo-liberal agenda took decisive steps to implement its goals in a confrontational democracy (e.g. New Zealand), or concordance democracies succeeded in convincing the relevant social and political forces about the need for reform that without the need for one group to assume all the responsibility for making these changes (e.g. Netherlands). In his comparison of 36 countries, Lijphard arrives at the conclusion that the performances of majority democracies are not better than those of consensus democracies. The OECD points out that country-specific general conditions such as population size, social and economic differences, institutional experiences, etc. play an important role in the development of modernisation and reform programs, and need to be taken into account.
- 498 Cf. [Eidgenössisches Finanzdepartement. Internationale Standortattraktivität der Schweiz aus steuerlicher Sicht. Bern 2006], [Th. Bernauer. Staaten im Weltmarkt. Zur Handlungsfähigkeit von Staaten trotz wirtschaftlicher Globalisierung. Opladen 2000]. Switzerland is commonly considered as an attractive location for business with tax incentives. The emphasis on fiscal decentralisation and direct democracy favours a mild fiscal climate. This is confirmed in international comparative studies by indicators for the choice of a location for business and of investment volume. The Swiss labour market also offers fiscal incentives to highly qualified workers.
- 499 Cf. [Schweizerischer Bundesrat. Bericht über das Verhältnis der Schweiz zur UNO und zu den internationalen Organisationen mit Sitz in der Schweiz vom 31. Mai 2006. BBI 2006 5363]. The 2005 World Summit and the 60th anniversary of the United Nations mark 2005 as the year of reform for the agency. Four areas were addressed: freedom and security, human rights, development and strengthening of the United Nations. Since then, two new bodies have been formally established, namely the Human Rights Council and the Peace-Building Commission. In the adopted measures, specific measures were directed at improving the UN's operational activities in the field as well as system-wide coherence in the areas of development, environment and humanitarian assistance. Following the Oil-for-Food Programme scandal, the General Assembly adopted a first series of measures in December 2005. This includes the creation of an Ethics Office and the strengthening of the overall auditing and oversight system by conducting an independent external evaluation of the existing auditing and oversight system. A newly created committee of experts is in charge of monitoring the activities of the auditing and oversight system. The General Assembly thereby responded to a large extent to the request for more efficient monitoring instruments. At the same time, however, the section on disarmament and non-proliferation was dropped, because a final consensus could not be reached. In addition the objective of sustainable development has become subordinate to the objective of development, which can be viewed as a setback in terms of the outcome of the UN World Summits on Sustainable Development in 1992 and 2002. Finally, the unsuccessful expansion of the Security Council, which was at the heart of the far-reaching UN reforms, weighs on the entire reform process. Specific proposals on reforming the working methods of the Security Council were, however, submitted to the General Assembly in March 2006.
- 500 Cf. [Europäische Union. Eine neue Partnerschaft für die Kohäsion. Konvergenz, Wettbewerbsfähigkeit, Kooperation. Dritter Bericht über den wirtschaftlichen und sozialen Zusammenhalt. Brüssel Februar 2004].
- 501 The following cases in point are worth mentioning: US termination of the 1972 ABM Treaty to push ahead with the National Missile Defence system; US refusal to ratify the Kyoto protocol despite the fact that the US is responsible for one quarter of the world's greenhouse gas emissions; US rejection of a control mechanism project in the 1972 Biological and Toxin Weapons Convention, due to fears of industrial espionage; the undermining strategy of the United States at the UN Conference on the Illicit Trade in Small Arms and Light Weapons held in the summer of 2000; the role of the United States in negotiations on the UN agenda of racism and slavery; US attempts to undermine the work of the International Criminal Court by concluding bilateral agreements. And, the list could go on. The United States often remains on the sidelines at ILO conventions, and is not even always fully committed to human rights issues (e.g. banning the death penalty).
- 502 Cf. [J. Habermas. Die postnationale Konstellation. Politische Essays. Frankfurt am Main 1998].
- 503 The Treaty of the European Constitution was signed in Rome on 29 October 2004. It was ratified by thirteen member states (Spain and Luxembourg ratified it after a referendum), which represent half of the EU population. On the other hand, two countries rejected it: France on 29 May 2005 and the Netherlands on 1 June 2005. The European Council of 16–17 June 2005 decided to open a period of reflection on the European Union, on its objectives and on its contents.
- 504 The Swiss National Fund explores these issues in the framework of the National Centre of Competence in Research entitled “Challenges to Democracy in the 21st Century”, Cf. <http://www.nccr-democracy.unizh.ch/nccr>. The 17 sub-projects of the first phase (2005–2009) are distributed across four modules: The first module examines the possibilities and the limits associated with the further expansion of democracy. The challenge of this module is to develop strategies that promote democracy without weakening stability. The

- second module examines the changes in decision-making systems in Western democracies, and the two other modules deal with the impact of media on politics. Political processes and institutions are examined and compared both at national and supranational level.
- 505 Cf. [Rapport mondial sur le développement humain 2005. La coopération internationale à la croisée des chemins l'aide, le commerce et la sécurité dans un monde marqué par les inégalités. Paris 2005. S. 37 ff.].
- 506 Cf. [T. Friedman. *The World is Flat: A Brief History of the Twenty-first Century*. New York 2005]. According to consulting firms white-collar outsourcing, which is the phenomenon of exporting more and more high-skilled jobs to newly industrialising countries, is one of the most important trends of globalisation today. A study conducted by the National Association of Software and Services Companies (NASSCOM) and McKinsey & Co. in 2003 estimates that this outsourcing generates an annual loss of 600,000 jobs in the IT sector in the United States, Europe and Japan.
- 507 Cf. [United Nations Development Program UNDP. Human Development Report 2003. Human Development Indicators. New York 2003]. According to this report, the annual GNP per capita in East Asian and Pacific countries increased by an average 5.9 per cent between 1975 and 2001; however this indicator only increased by 2.3 per cent for developing countries in general during the same period. This slower growth can be attributed to the stagnation in sub-Saharan Africa and in Latin America. Some newly industrialising countries have strong growth rates: In South Korea, GDP per capita increased by an average 6.2 per cent between 1975 and 2001. To consult current GDP per capita growth rates, Cf. [World Bank. World Development report 2006. Equity and Development. New York September 2005, S. 293].
- 508 Cf. [W. van Ginneken. Extending Social Security: Policies for Developing Countries. ESS Paper No. 13. Geneva 2003].
- 509 Cf. [World Bank. Global Monitoring Report 2006. Millennium Development Goals: Strengthening Mutual Accountability – Aid, Trade and Governance. Washington D.C. 2006], [United Nations Development Program UNDP. Human Development Report 2005. International Cooperation at a Crossroads – Aid, Trade and Security in an Unequal World. New York 2005], [UN Conference on Trade and Development UNCTAD. The Least Developed Countries. Linking International Trade with Poverty Reduction. Report 2004. Geneva 2004], [United Nations Development Program UNDP. Human Development Report 2003. Millennium Development Goals. A Compact among Nations to End Human Poverty. New York 2003], [World Bank. World Development Report 2002. Building Institutions for Markets. Washington D.C. 2001], [D. Ruloff, M. Elsig, S. Lavenex. Internationale Politik und Handlungsspielräume der Schweiz aus dem Blickwinkel der Entwicklungspolitik. DEZA Arbeitsdokument 7/2000. Bern 2001].
- 510 Cf. [World Bank. Global Monitoring Report 2006. Millennium Development Goals: Strengthening Mutual Accountability – Aid, Trade and Governance. Washington D.C. 2006]. The World Bank groups several transition countries with less developed countries (LDC).
- 511 Cf. Art. XXIV GATT 1994 and Art. V GATS: The customs union and trade in goods need to cover all aspects of trade and should not be limited to customs duties and other restrictions on certain products. All customs duties and quota restrictions must be completely abolished within a maximum of ten years according to a specified schedule. Inner liberalisation should not be at the expense of third countries, i.e. market access for products from other WTO member states should not be made more difficult through new or additional trade barriers. Regional agreements in the service sector must include all important service areas and abolish all limitations to national treatment on the basis of an established schedule. In addition, these agreements should not erect additional trade barriers against third-country WTO members.
- 512 No regional economic union is really comparable with another. Even though some of these unions are classed as customs unions, there are still huge differences, including: size and economic clout of the countries in a union; the union's objective (is a customs union only the first step toward a further-reaching economic and monetary union?), the timeframe envisaged for creating the union and the regulation of the integration process (with or without parliament).
- 513 Cf. [Gruppe von Lissabon. Grenzen des Wettbewerbs. Die Globalisierung der Wirtschaft und die Zukunft der Menschheit. München 2002].
- 514 Cf. [L. Kühnhardt. *Constituting Europe. Identity, Institution-Building and the Search for a Global Role*. Baden-Baden 2003].
- 515 Cf. [Kommission der Europäischen Gemeinschaften. KOM (2005) 559. Beschluss des Rates über die Grundsätze, Prioritäten und Bedingungen der Beitrittspartnerschaft mit der Türkei. Brüssel 9. November 2005], [Netherlands Scientific Council for Government Policy. The European Union, Turkey and Islam. Amsterdam 2004].
- 516 Cf. [Europäischer Rat. Erklärung von Laeken vom 15.12.2001. Laeken 2001].
- 517 Cf. [Europäische Union. Vertrag über eine Verfassung für Europa. Luxemburg 2005].
- 518 Cf. [Europäische Kommission. Flash Eurobarometer 172, The European Constitution: Post Referendum Survey in The Netherlands. Brüssel Juni 2005], [Europäische Kommission. Flash Eurobarometer 171, The European Constitution: Post Referendum Survey in France. Brüssel Juni 2005]. Eurobarometer surveys indicate that only 18 per cent of voters in France and in the Netherlands understood the vote in their country was actually a referendum on the European Constitution. In fact, many voters saw the vote as an opportunity to let the government know they were unhappy with the general developments in their country. The blame for domestic social and economic problems is increasingly placed on the EU, on the single market, on the euro and on EU enlargement. According to the surveys, people in the Netherlands also fear their own "small" country would lose influence within the context of an enlarged European Union.
- 519 Cf. [OECD. Economic Policy Reforms. Going for Growth. Paris 2006], [Europäische Kommission. Going for Growth. The Economy of the EU. Brüssel 2003]. The Commission's report lists the EU's major achievements regarding economic integration in Europe, but comes to the conclusion that further efforts are necessary and that it cannot rest on its laurels. The OECD report provides performance benchmarking for all OECD countries, and specifically analyses the reasons why EU countries lag behind the United States in growth and per capita GDP. OECD economists agree that further liberalisation of markets in Europe, especially the labour market, is essential to consolidate the EU's position on the world market.
- 520 Cf. [J.-C. Trichet. Why Europe needs structural reforms. Council on Foreign Relations, New York 24 April 2006. www.ecb.int/press/key/date/2006/html/sp060424.en.html].
- 521 Cf. [R. Baldwin, M. Widgrén. The Impact of Turkey's Membership on EU Voting. CEPS Policy Brief, No. 62. Brussels February 2005, S. 3].
- 522 Steps have been taken towards a minimum coordination and harmonisation of tax policy (for instance, minimum rates for value added tax). The harmonisation of tax within the EU, however, under the updated EC Treaty requires the unanimity of member states (Art. 93 and 175 of the Treaty of Amsterdam).
- 523 Cf. [Kommission der Europäischen Gemeinschaften. Commission staff working document. Impact Assessment of the Communication "Keep Europe Moving" – Sustainable mobility for our continent. Mid-term review of the European Commission's 2001 Transport White Paper. Brussels 2006]. The amendments to the Treaty of Amsterdam (first subparagraph of Article 129c, first part of the third indent) included a more specific formulation of the EU's opportunities to support European infrastructure projects: "The Community may support projects of common interest supported in full or in part by member states [...] particularly through feasibility studies, loan guarantees or interest-rate subsidies."
- 524 Cf. [University of British Columbia, Human Security Center. Human Security Report 2005. War and Peace in the 21st Century. New York, Oxford 2005], [S. P. Huntington. Kampf der Kulturen. Die Neugestaltung der Weltpolitik im 21. Jahrhundert. München, Wien 1997], [F. Fukuyama. Das Ende der Geschichte. München 1992]. The end of the Cold War has not led to "The End of History" [Fukuyama], nor have the gloomy forecasts of a "Clash of Civilizations" [Huntington] been accurate so far. Even the events of 9/11 and the United States war against terror have not had a major effect on this trend. From 1945 to the beginning of the 1990s, there has been a slight but steady increase, with some fluctuation, in the number of wars and armed conflicts. Since the 1990s, however, this number has markedly declined. After hitting a peak in 1992 (55), it fell to 28 in 1997, increasing to 42 in 2004, Cf. [Arbeitsgemeinschaft Kriegsursachenforschung AKUF. Das Kriegsgeschehen 2004. Daten und Tendenzen der Kriege und bewaffneten Konflikte. Institut für Politische Wissenschaft der Universität Hamburg,

- Forschungsstelle Kriege, Rüstung und Entwicklung]. Although this data differs slightly compared to other reliable sources in the field [u. a. KOSIMO in Heidelberg. Correlates of War], it is in line with the trend. These differences can be attributed to the use of different definitions for "war" and "conflict" and different data collection methods.
- 525 This instability is associated with political structures, the economy, migration trends and the uncertain future prospects. While the prospects for EU integration are improving for some countries (Croatia and Macedonia), they are at a standstill for other countries. This situation could result in the creation of a structurally underdeveloped area, which could become a source of migration and a breeding ground for organised crime. Montenegro's independence was achieved peacefully. In spite of the obstruction and delays and the fact that disruptions cannot be ruled out in the future, rapid progress could be made towards the resolution of Kosovo's status.
- 526 The reason for this is serious conflicts for which there are no medium-term solutions: In the Israeli-Palestinian conflict, neither party is willing to make far-reaching compromises, which would be the only opportunity to achieve long-term peace. Although no permanent solution has been found to the Indo-Pakistan conflict over Kashmir and to military rivalry between the two countries, relations have markedly improved. The flashpoints in East Asia (Korea, PR China vs. Taiwan, Spratly Islands in the South China Sea, etc.) have the potential to escalate into major confrontation. For information on the Arab world, Cf. [United Nations Development Programme UNDP. Arab Human Development Reports Creating Opportunities for Future Generations (2002). Building a Knowledge Society (2003). Freedom and Good Governance (2004). hdr.undp.org/reports/view_reports.cfm?type=2]. The UN reports on the situation in the Arab world show that only one Islamic country (Malaysia) is fully involved in the globalisation process. As oil-exporting countries, the Gulf Emirates and Saudi Arabia have a significant impact on the global economy. The appearance of crisis in these countries, which should not be ruled out, would inevitably affect the rest of the world at least on an economic level.
- 527 Cf. [OECD International Energy Agency. Resources to Reserves. Oil&Gas Technologies for the Energy Markets of the Future. Paris 2005]. Für eine kritischere Haltung zu den Unsicherheiten der künftigen Energieverfügbarkeit siehe [Wuppertal Institut für Klima, Umwelt, Energie (Hrsg.). Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. München 2005], [R. Hirsch et al. Peaking of World Oil Production: Impacts, Mitigation, & Risk Management. U.S. Department of Energy 2005] und [W. Zittel, J. Schindler. The Countdown for the Peak of Oil Production has Begun – but what are the Views of the Most Important International Energy Agencies. 15 October 2004, www.energybulletin.net/2544.html].
- 528 Cf. [The European Union Institute for Security Studies. A Secure Europe in a Better World. European Security Strategy. Paris Dezember 2003, www.iss-eu.org/solana/solanae.pdf], [Council of the European Union. Fight against the proliferation of weapons of mass destruction: EU strategy against proliferation of Weapons of Mass Destruction. Brüssel Dezember 2003].
- 529 Cf. [G. T. Allison. Nuclear Terrorism. The Ultimate Preventable Catastrophe. New York 2004]. See endnotes 530 and 531 below.
- 530 Cf. [OECD. The Impact of the Terrorist Attacks of 11 Sept. 2001 on International Trading and Transport Activities. Working Party of the Trade Committee. Paris 2002, TD/TC/WP(2002)9/FINAL (Unclassified)]. The terrorist attacks of 11 September 2001 had huge psychological and economic repercussions. Terrorist attacks are, however, by no means a new phenomenon in international relations. Experts have long warned about terrorist attacks of the magnitude of 9/11. Cf. [W. Laquer. The New Terrorism: Fanaticism and the Arms of Mass Destruction. New York 2000]. It is difficult to envisage a rapid elimination of the sources of Islamic terrorism (modernisation issues, undemocratic regimes, huge income differences, etc.) given the political structures of the Islamic world and the global balance of power. What is alarming is that international terrorist networks are increasingly recruiting new members among migrant groups in developing countries.
- 531 Cf. [G. T. Allison. Nuclear Terrorism. The Ultimate Preventable Catastrophe. New York 2004]. Allison is founding dean of Harvard's Kennedy School of Government and a former US Assistant Secretary of Defense. According to Allison the risk of nuclear terrorism is a reality. He believes the establishment of a more robust non-proliferation regime is the best way to prevent a scenario of nuclear terrorism.
- 532 Cf. [United Nations General Assembly. In larger Freedom: Towards Development, Security and Human Rights for All. Report of the Secretary General. New York March 2005, A/59/2005, www.un.org/largerfreedom/], [The European Union Institute for Security Studies. A Secure Europe in a Better World. European Security Strategy. Paris Dezember 2003, www.iss-eu.org/solana/solanae.pdf]. Both the EU and the UN indicate that the fight against terrorism requires both national and international strategies. The sophisticated level of networking of the globalised world has made it possible for terrorist attacks to have a profoundly destabilising effect on many countries and on the economy. That is why both the EU and the UN are calling for both more international anti-terrorism measures and consistent domestic policies to fight terrorism.
- 533 Cf. [United Nations Population Division. Department of Economic and Social Affairs. World Population Prospects. The 2004 Revision. New York 2005].
- 534 Cf. [United Nations Population Division. Department of Economic and Social Affairs. World Population Prospects. The 2004 Revision. New York 2005, S. 14]. In Botswana average life expectancy dropped from 65 years (in 1985–90) to 37 years (in 2000–2005). Thirty-six per cent of the population is HIV-positive. According to the medium variant in the UN report AIDS will decrease the projected population growth rate up to 14 per cent by 2050. Altogether, the 60 countries highly affected by the HIV/AIDS epidemic will have a total population in 2015 that is 115 million lower than in a no-AIDS scenario. This difference is expected to grow to 344 million by 2050.
- 535 Over the last few years, heads of state and government have met at special summits organised in response to AIDS, SARS and avian flu. Special attention was paid to the SARS epidemic in spring of 2003 and to the spread of avian flu in autumn of 2005 and spring of 2006.
- 536 Cf. [WHO Commission on Intellectual Property Rights, Innovation and Public Health (Chair: Ruth Dreifuss). Public Health, Innovation and Intellectual Property Rights. Geneva April 2006], [WHO Commission on Macroeconomics and Health (Chair: Jeffrey D. Sachs). Macroeconomics and Health: Investing in Health for Economic Development. Geneva 2001]. Three out of the eight Millennium Development Goals are directly related to health. More than a billion people still live on less than 1 USD a day. Every 30 seconds a child dies of malaria. Every year 500,000 women die in pregnancy and childbirth. More than 8000 people die every day from AIDS-related conditions. The economic difficulties in developing countries particularly hard hit by the AIDS epidemic are a daily reminder that there is no development without health. According to the report of the WHO Commission on Macroeconomics and Health, additional investment in health in developing countries of USD 60 billion over a period of 10 years would result in economic gains of at least USD 360 billion every year. Development policy takes into account the effect of the measures taken in many policy areas on the state of health of the population and the need for local partners to cooperate in onsite programmes set up to influence the main health determinants such as income, education, food, environment and water, as well as social factors such as discrimination against women. The issue of access to medicines in developing countries has been at the heart of controversial debate for years in different international forums, in particular in the WTO TRIPS Council. The outbreaks of avian flu and fear of a flu pandemic have also increased calls to include compulsory licences in the Pandemic Preparedness Plan. Resolutions on the access to medicines are regularly submitted in human rights committees and in the UN General Assembly. The Commission on Intellectual Property Rights, Innovation and Public Health, established by the WHO in 2003, submitted proposals in April 2006 to improve the access to medicines.
- 537 No country is seriously considering turning away from free-trade (at least for trade in industrial products) not even social democratic and socialist governments, whose policy leaders recognise the validity of free-trade and the need to strengthen the international competitiveness of their domestic industries. In this respect, it should be pointed out again that globalisation is a political project: as long as it is supported and defined by the major trading nations, namely the US, the EU and (to a large extent) also Japan, the rest of the world will have no other choice than to accept it and participate, which is in any case more profitable than standing on the sidelines.
- 538 This is because internalisation of external effects (such as environmental pollution) and the application of the principles of sustainable development vary from one country to another. In addition, de-

- veloped countries have a strategic approach to food distribution and efficient policies to ensure their agricultural interests.
- 539 Cf. [Schweizerischer Bundesrat. Bericht des Bundesrates zur Außenwirtschaftspolitik 2004. Bern Januar 2005. BBI 2005 1089, in particular p. 22], [Goldman-Sachs. Dreaming with BRICs: The Path to 2050. Global Economics. Paper No. 99. New York October 2003]. In its Foreign Economic Report the Federal Council extrapolated real GDP growth rates from different countries from the last decade to the next ten years (up to 2015). Results reveal that among major economies measured in terms of GDP, the U.S. (1) would overtake the EU-25 (2) and Japan (3) would still rank above China (4). India would move from 8 to 6 place, but will still rank below Canada (5). Switzerland would fall from 12 to 14 place. The Goldman-Sachs study analyses potential growth until 2050 using simple modelling. Major economies rank as follows according to projections again based on GDP: China (1) is in the lead, ahead of the U.S. (2) and India (3); Japan (4), Russia (5), the UK (6), Germany (7), France (8) and Italy (9) lag far behind. These simple extrapolations and considerations should by no means be used for making forecasts. Any change in the institutional, political or economic conditions in one or more countries could radically change the trend of economic development for decades. The Goldman-Sachs scenario needs to be considered as an optimistic dream where industrialising countries in Asia, Russia and Brazil rapidly and seamlessly rise to power, and where politics and future social and economic problems are not taken into account. See endnotes 540 and 541 below.
- 540 Cf. [OECD. Economic Survey of China 2005. Paris 2005]. China's rapid economic development remains fragile because it is dependent on a series of factors that are beyond government control, in particular demand on China's important export markets, above all the USA. China's economic boom has accentuated differences in development levels within China triggering uncontrolled migratory movements and social and serving as fuel for social conflict. Significant reforms – of loss making state-run corporations or the consolidation of the state banking system, for example – have not yet been undertaken. Above all China will have to face up to a reform of its political system. In the medium to long term China's demographic development will present the country with the same problems as those currently faced by the developed world.
- 541 Cf. endnote 539. This cannot simply assume offhand in the case of China (see endnote 540). As such the projections should be understood as (depending on viewpoint) as best case scenarios.
- 542 Cf. [OECD. Economic Outlook No. 78. Paris December 2005] und [International Monetary Fund IMF. World Economic Outlook – Building Institutions. Washington D.C. Sept. 2005, S. 279]. IMF medium term basic scenario: Total world GDP growth 2006: 4.3 per cent p.a., 2007–2010: 4.3 per cent p.a.; industrialised nations: 2006 2.7 per cent p.a., 2007–2010: 2.9 per cent p.a.; developing countries and NICs: 2006: 6.1 per cent p.a., 2007–2010: 5.8 per cent p.a. This generally positive scenario presupposes successful reform efforts, particularly in the countries of continental Europe; Cf. [OECD. Economic Policy Reforms. Going for Growth 2006. Paris 2006].
- 543 According to current scenarios the world economy would be around 80% larger in 2020 than in 2000, although the country order would change dramatically (see end note 539). The prerequisite for this however would of course be optimal external and internal political conditions and smooth supplies of raw materials, which is a rather optimistic assumption. Environmental factors are also not taken into account. The question arises of whether man's means of subsistence are even capable of supporting the development of populous newly industrialising countries to Euro-American standards. This is doubtful.
- 544 Cf. [UNAIDS und WHO. Die Aids Epidemie. Statusbericht Dezember 2005. Genf und Rom 2005], [UNAIDS. AIDS in Africa: Three scenarios to 2025. Genf 2005]. The AIDS epidemic, which has struck large swathes of developing countries, NICs and increasingly also developed countries (such as Russia), causes massive social and economic harm even destabilising entire societies and States in Africa. Combating this disease must be made a development policy maxim to an even greater extent than at present.
- 545 Cf. [World Bank. Global Monitoring Report 2006. Millennium Development Goals: Strengthening Mutual Accountability – Aid, Trade and Governance. Washington D.C. 2006], [United Nations Development Program UNDP. Human Development Report 2005. International Cooperation at a Crossroads – Aid, Trade and Security in an Unequal World. New York 2005], [UN Conference on Trade and Development UNCTAD. The Least Developed Countries. Linking International Trade with Poverty Reduction. Report 2004. Geneva 2004], [United Nations Development Program UNDP. Human Development Report 2003. Millennium Development Goals. A Compact among Nations to End Human Poverty. New York 2003], [World Bank. World Development Report 2002. Building Institutions for Markets. Washington D.C. 2001], [D. Ruloff, M. Elsig, S. Lavenex. Internationale Politik und Handlungsspielräume der Schweiz aus dem Blickwinkel der Entwicklungspolitik. DEZA Arbeitsdokument 7/2000. Bern 2001].
- 546 Cf. [OECD. Modernising Government. The Way Forward. Paris 2005], [The Initiative and Referendum Institute Europe. Guidebook to Direct Democracy in Switzerland and Beyond. Bern 2005]. The number of democratic states has increased significantly in the last ten years. Even so, many states still exhibit gaps particularly in the shaping of democratic procedures. The OECD observes that the adaptation of institutional structures to the changing needs of society has become a problem for many of its member states. In order to be organised in a democratic and responsible manner towards their citizens, states must continually adapt their public sectors. In this respect significant need for action in terms of actual implementation will remain in many parts of the world despite the spread of democratic forms of state. This also concerns the implementation of means of direct democracy, which even in certain industrialised nations are not free from certain contradictions.
- 547 Cf. [OECD International Energy Agency. Resources to Reserves. Oil&Gas Technologies for the Energy Markets of the Future. Paris 2005]. For a more critical approach to the uncertainties of the future availability of energy resources, Cf. [Wuppertal Institut für Klima, Umwelt, Energie (Hrsg.). Fair Future – Begrenzte Ressourcen und globale Gerechtigkeit. München 2005], [R. Hirsch et al. Peaking of World Oil Production: Impacts, Mitigation, & Risk Management. U.S. Department of Energy 2005] and [W. Zittel, J. Schindler. The Countdown for the Peak of Oil Production has begun – but what are the Views of the Most Important International Energy Agencies. 15 October 2004, www.energybulletin.net/2544.html].
- 548 The signing of the Kyoto Protocol marked the first medium term political course correction. Although even if it was fully implemented it would have a minimal impact on the actual progression of average global warming. Further drastic measures are necessary in order to decisively extenuate a harmful anthropogenous interference of the global climate system.
- 549 The necessary measures to limit CFC emissions were taken at the international level (Montreal Protocol tightened in London and Copenhagen). For physical and chemical reasons it will still take decades for the situation to stabilise or improve.
- 550 The UN Convention on the protection of biological diversity (Biodiversity Convention) (UNEP) was signed by over 160 States. "The objectives of this Convention are the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources..." (Article 1). The problem in terms of its implementation lie in the financing of items to be protected, which should be resolved with the creation of an international fund (Global Environmental Facility). Industrialised countries have so far been hesitant in stocking up this fund. Further critical points include the protection of tropical rain forests and the willingness of pharmaceutical companies to share profits from genetic resources discovered on their territory with developing countries.
- 551 Cf. [D. C. Esty, M. Levy, T. Srebotnjak, A. de Sherbinin, C. Kim, B. Anderson. Pilot 2006 Environmental Performance Index. New Haven 2006].
- 552 Cf. [J. J. Kirton, M. J. Trebilcock. Hard Choices. Soft Law Voluntary Standards in Global Trade, Environment and Social Governance. London 2004], [A. R. Ziegler, J. Wiers. Trade and Environment in the EC and the WTO (Commentaire sur). Aussenwirtschaft Nr. 1, Bd. 59, S. 115–117. Zürich 2004], [A. Flasbarth, M. Lips. Effects of a Humanitarian WTO Social Clause on Welfare and North-South Trade Flows. University of St. Gallen, Department of Economics, Discussion Paper No. 2003–03. January 2003], [J. N. Bhagwati, R. E. Hudec (Ed.). Fair Trade and Harmonization. Economic Analysis 1996 Vol. 1. Cambridge, London 1996]. Amongst other things because various countries fear new forms of protectionism by the back door as a result of such clauses.
- 553 Technological applications that could potentially be developed into competitive products given slightly altered economic conditions

- (such as fossil fuel prices) already exist today. Examples include: 3-litre car, low energy houses, low energy electrical appliances, solar power installations (already a strongly growing global market).
- 554 Cf. [European Environment Agency. Using the market for cost-effective environmental policy. Market-based instruments in Europe. EEA Report No 1/2006. Kopenhagen 2006], [Schweizerischer Bundesrat. Botschaft zur Volksinitiative "Für eine gesicherte AHV – Energie statt Arbeit besteuern!" vom 13. Mai 1998. BBI 1998 IV 4185; siehe insbesondere S. 4196–4198]. The majority of EU member states have introduced an eco-tax in recent years in the scope of tax reforms.
- 555 Cf. [C. Krauthammer. The Unipolar Moment. In: Foreign Affairs 1991, 1, p. 23.]. Some American thinkers even extend this perhaps a little over hastily to the "unilateral age".
- 556 See, for example, the Pan-American free trade debate. The project to create a continental American free trade area from Alaska to Tierra del Fuego has barely developed beyond statements of intent. Realistically, this project would have to be spurred on by USA, which would however meet with resistance in large parts of Latin America, as seen at the Buenos Aires conference in 2005.
- 557 Cf. [H. Tietmeyer. Herausforderung Euro. München, Wien 2005]. For information on the situation in Switzerland, Cf. [Die Schweiz inmitten der Eurozone – Lage und Aussichten. Referat von J.-P. Roth, Präsident des Direktoriums der Schweizerischen Nationalbank, beim Industriellenverband Bozen. Bozen 14. Oktober 2003. http://www.snb.ch/en/mmr/speeches/id/ref_20031014_jpr].
- 558 Cf. [J. Warwick (Hrsg.). Die Beziehungen zwischen NATO und EU. Partnerschaft, Konkurrenz, Rivalität? Opladen 2005], [E. O. Czempiel. Neue Sicherheit in Europa. Eine Kritik an Neorealismus und Realpolitik. Frankfurt 2002], [J. Warwick, W. Woyke. Die Zukunft der NATO. Transatlantische Sicherheit im Wandel. Opladen 2000]. NATO finds itself in a period of structural change with uncertain consequences. On the one hand, NATO's enlargement is a positive development from the point of view stabilising eastern and central Europe, as it provides cover to the countries concerned in view of their continued mistrust of developments in Russia. On the other, enlargement stretches NATO's internal structures, such as in the NATO Council, where decisions are taken unanimously.
- 559 Cf. [The European Union Institute for Security Studies. A Secure Europe in a Better World. European Security Strategy. Paris Dezember 2003, www.iss-eu.org/solana/solanae.pdf], [NATO. Handbook. Revised Version. Brüssel 2003, www.nato.int/docu/home.htm#Reference].
- 560 Cf. [E. Schneider. Haben europäische Werte in Russland eine Zukunft? In: Eurasisches Magazin 05–06, 30.5.2006, www.eurasischesmagazin.de/artikel/?artikelID=20060505], [P. W. Schulze, H.-J. Spanger (Hrsg.). Die Zukunft Russlands. Staat und Gesellschaft nach der Transformationskrise. Frankfurt am Main 2000].
- 561 Cf. [Münchner Zentrum für Angewandte Politikforschung (CAP) und Bertelsmann-Stiftung. Ein Vertrag zur Reform des Vertrags von Nizza. München, Gütersloh Juni 2006, www.cap-lmu.de/publicationen/2005/vertrag.php], [Kommission der Europäischen Gemeinschaft. Agenda 2000. Eine stärkere und erweiterte Union. Bericht der Europäischen Kommission zuhanden des europäischen Parlaments. KOM(97)2000. www.europa.eu.int/comm/agenda/2000/index_en.htm].
- 562 Cf. [OECD. Economic Outlook No. 78. Paris December 2005] und [International Monetary Fund IMF. World Economic Outlook – Building Institutions. Sept. 2005, S. 279]. IMF medium-term baseline scenario: industrialised countries: 2006 2.7 per cent p.a., 2007–2010: 2.9 per cent p.a. However, this generally positive scenario presupposes successful reform efforts particularly in the countries of continental Europe, see [OECD. Economic Policy Reforms. Going for Growth 2006. Paris 2006].
- 563 Cf. [OECD. Employment Outlook 2005. Paris 2005]. Employment in the OECD area is improving long term but remains unsatisfactory. At the start of 2006, 36 million people (6.4 per cent of population of working age) were seeking jobs. According to Eurostat, unemployment in the EU-25 at the start of 2005 was 8.8 per cent (Beginning 2004: 9.1 per cent). The lowest rates were in Switzerland (4.0 per cent), Ireland (4.3 per cent), Luxembourg (4.4 per cent), Austria (4.5 per cent), the UK (4.6 per cent in November 2004) and in the Netherlands (4.7 per cent in December 2004). The highest unemployment rates were in Poland (18.2 per cent), Slovakia (16.5 per cent), Greece (10.5 per cent in June 2004) and Spain (10.3 per cent). Germany as Europe's largest economy was only slightly lower with 9.6 per cent.
- 564 Cf. [G. M. M. Gelauff, A. M. Lejour. The new Lisbon Strategy – An estimation of the economic impact of reaching five Lisbon Targets. Industrial Policy and Economic Reforms Papers No. 1. Belgien 2006, http://www.ec.europa.eu/enterprise/enterprise_policy/competitiveness/doc/industrial_policy_and_economic_reforms_papers_1.pdf]. If the EU were to achieve the five most important goals of the Lisbon Process (open market for services, eradication of bureaucratic barriers, improvement of human capital, 3 per cent of GDP towards R&D and 70 per cent employment rate), the EU's GDP could rise by between 12 and 23 per cent and employment by 11 per cent. On Europe's significant barriers and deficits see [OECD. Economic Policy Reforms. Going for Growth. Paris 2006]. According to this report, Europe trails the USA by a significant margin, even taking into account the shorter working hours and longer holidays in Europe. However, if one takes into account the inequality in the distribution of income, the picture changes considerably towards one of Europe closing in on the USA.
- 565 Cf. [International Institute for Management Development IMD. World Competitiveness Yearbook. Lausanne 2005], [World Economic Forum WEF. Global Competitiveness Report 2005–2006. Genf, Basingstoke (England) 2005]. Any blanket comparison between Europe, the USA and the competitors in the Far East has its limitations (due to the large regional differences in Europe) and methodical difficulties. For these reasons, results in the cited list of rankings should only be used as an indicator. Switzerland is listed 8th in the rankings of both institutions. The WEF has the USA in second place, the IMD in first place.
- 566 The results of the Climate Conference in Kyoto show that this is basically possible, albeit for the time being in small, pragmatic steps. However, the lesson to be drawn from Kyoto is another: USA going it alone, developing countries not participating, Russia behaving pragmatically.
- 567 Cf. [Bundesamt für Raumentwicklung, forum raumentwicklung. Verkehrszukunft Schweiz. Heft 1/2006 (und dort aufgeführte Quellen), Verkehrszukunft Schweiz.], [Bundesamt für Energie. Energieperspektiven 2035. Synthesebericht. Swiss Federal Office of Energy SFOE – Energy perspectives]
- 568 Cf. [European Environment Agency. Using the market for cost-effective environmental policy. Market-based instruments in Europe. EEA Report No 1/2006. Kopenhagen 2006], [Schweizerischer Bundesrat. Botschaft zur Volksinitiative "Für eine gesicherte AHV – Energie statt Arbeit besteuern!" vom 13. Mai 1998. BBI 1998 IV 4185; insbesondere S. 4196 ff.]. Attempts at an ecological tax reform are evident. The legal problem in terms of the harmonisation of taxes lies in the EC agreement, which requires the unanimity of member states. The EU was therefore under pressure to introduce a CO₂/energy tax before enlargement, as it would be far more difficult to reach a consensus on the subject afterwards. After almost eleven years of negotiations on a total of three Commission proposals, the EU directive on the harmonisation of energy taxation entered into force on 1 January 2004.
- 569 Cf. [H. Sarfati, G. Bonoli (Hrsg.). Labour market and social protection reforms in international perspective. Albingdon 2002]. According to this study, the reforms of the 1990s, which aimed to bring about one-sided relief to the welfare system through cutbacks, were unsuccessful in solving the problems of long term unemployment, youth unemployment, social exclusion and low pay (working poor). In contrast, some countries – including Switzerland – managed at the same time to maintain good incomes, comparatively low unemployment, good levels of social protection, balanced distribution of income and strong economic performance through the targeted promotion of employment incentives in the welfare systems. At the same time it was possible to create stable working conditions for part-time workers, which also accommodates changes in family structures. One of the success factors of these reforms is considered to be the close coordination of labour market and social policy.
- 570 The European Union's primary law (and the Constitutional Treaty) provides for a number of EU competencies in the field of social welfare, and also formulates minimum standards and law, but does not envisage a "Europeanisation" of social policy, especially not a harmonisation of the national and extremely diverse systems of social security. Even if the EU were able to agree on such a goal (which is exceedingly unlikely), the enormous cost of such a project would prohibit its realisation. For the time being the pluralism

- of social security systems in Europe, as well as a North-South, West-East divide will remain.
- 571 See the statement by the European Commission: [europa.eu.int/comm/employment_social/social_protection/index_de.htm].
- 572 The trend towards a equalising out of prosperity in all EU countries to a common median level is likely to continue according to [Europäische Kommission. Eine neue Partnerschaft für die Kommission. Konvergenz, Wettbewerbsfähigkeit, Kooperation. Dritter Bericht über den wirtschaftlichen und sozialen Zusammenhalt. Brüssel 2004. S. 8f.]. Cf. [Bundesamt für Statistik. Gesamtrechnung der Sozialen Sicherheit der Schweiz. Neuenburg 2004] on social security in Switzerland and the states of the EU, as well as on the close correlation between a country's prosperity level and expenditure on social protection.
- 573 The long-term development will depend greatly on economic developments and the kind and extent of reforms in the various countries.
- 574 Cf. [Kommission der Europäischen Gemeinschaft. Weissbuch der EU-Kommission über die europäische Verkehrspolitik bis 2010: Weichenstellung für die Zukunft. KOM 2001/370. Brüssel 2001]. In July 2005, the European Commission issued a series of measures for closer political and technical coordination for the realisation of the Trans-European Transport Network (TEN-T). These were designed to address the existing problems of insufficient financial resources and coordination difficulties between member states. Dialogue should be strengthened and the scheduling and financial planning facilitated. Due to the expected robust economic growth in the new member states, the EU expects that traffic flows between the old and new member states will increase in the medium term. That is why a great deal of investment is currently being undertaken in the infrastructure of the East-West axis. The North-South axis from Rotterdam to Genoa, which also runs through Switzerland, will not however diminish in importance. The EU places great value on a constant dialogue with the Alpine countries, including Switzerland. The overland transport agreement between Switzerland and the EU makes this dialogue and the coordination of Swiss transport policy with that of Europe possible.
- 575 Cf. [Community Initiative INTERREG III B. Alpine Space Programme. Nov. 2001, <http://www.alpinespace.org/>], [Kommission der Europäischen Gemeinschaft. Mitteilung der Kommission an die Mitgliedstaaten über die Leitlinien für eine Gemeinschaftsinitiative betreffend die transeuropäische Zusammenarbeit zur Förderung einer harmonischen und ausgewogenen Entwicklung des europäischen Raums. INTERREG III. Brüssel 28. April 2000. K(2000)1101-DE, http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/content/en/02_pdf/00_7_i3_en.pdf], [Kommission der Europäischen Gemeinschaft (Hrsg.). Europäisches Raumentwicklungskonzept (EUREK). Auf dem Weg zu einer räumlich ausgewogenen und nachhaltigen Entwicklung der Europäischen Union. Mai 1999, http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/som_en.htm].
- 576 Cf. [Kommission der Europäischen Gemeinschaften. Grünbuch über ein europäisches Programm für den Schutz kritischer Infrastrukturen. Brüssel November 2005. KOM(2005)576]. http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0576en01.pdf
- 577 Cf. [Kommission der Europäischen Gemeinschaften. Grünbuch über eine europäische Strategie für nachhaltige, wettbewerbsfähige und sichere Energie. KOM(2006)105. Brüssel März 2006]. SCAD-Plus: Green Paper: A European strategy for sustainable, competitive and secure energy
- 578 Cf. [Commission of the European Communities. Commission staff working document. Impact Assessment of the Communication "Keep Europe Moving" – Sustainable mobility for our continent. Mid-term review of the European Commission's 2001 Transport White Paper. COM(2006) 314 final. Brussels 2006. http://ec.europa.eu/transport/transport_policy_review/doc/com_2006_0314_transport_policy_review_en.pdf], [Commission of the European Communities. White Paper submitted by the Commission on 12 September 2001: "European transport policy for 2010: time to decide" [COM(2001) 370 final – Not published in the Official Journal]. Brussels 2001. SCADPlus: White paper: European transport policy for 2010]. The EU places great value on a constant dialogue with the Alpine countries, including Switzerland. The agreement between Switzerland and the EU envisages the creation of an observation unit for road and rail traffic. The joint aim is to ensure the smooth flow of traffic over the Alps.
- 579 Cf. [Schweizerischer Bundesrat. Botschaft über die Genehmigung des UNO-Übereinkommens gegen die grenzüberschreitende organisierte Kriminalität, des Zusatzprotokolls zur Verhinderung und Bestrafung des Menschenhandels, insbesondere des Frauen- und Kinderhandels, und des Zusatzprotokolls gegen die Schlepperei auf dem Land-, See- und Luftweg vom 26. Oktober 2005, BBL 2005 6693, insbesondere die Seiten 6710 und 6771], [Schweizerischer Bundesrat. Europabericht 2006. BBL 2006 6875–6877], [Schweizerischer Bundesrat. Botschaft betreffend die Internationalen Übereinkommen zur Bekämpfung der Finanzierung des Terrorismus und zur Bekämpfung terroristischer Bombenanschläge sowie die Änderung des Strafgesetzbuches und die Anpassung weiterer Bundesgesetze vom 26. Juni 2002, BBL 2002 5461, insbesondere die Seiten 5390 und 5447 f.]. As a consequence of the events of 11 September 2001, the fight against terrorism has become a major concern of the EU. The attacks of 11 March 2004 in Madrid and then in London in July 2005 have served to reinforce this priority and brought about increased cooperation between the EU member states in the fight against terrorism. At the end of 2005, the Council of Europe adopted a new strategy in the fight against terrorism as well as a plan of action against radicalisation and against recruitment by terrorist groupings. The basis in international law on combating terrorism is provided by twelve UN conventions and additional protocols. All EU member states have in particular signed the conventions for the suppression of the financing of terrorism and for the suppression of terrorist bombing. The first international instrument in the fight against transnational organised crime is the UN convention of the same name and its additional protocols applied worldwide and regionally. This convention and its additional protocols were also signed by the European Union as well as by its member states. The convention on the suppression of terrorism and on organised crime complete the instruments of the Council of Europe in the fields of extradition, legal assistance in criminal matters, economic crime and the suppression of terrorism and transnational organised crime. Furthermore, the two additional protocols of the convention for the suppression of transnational organised crime are compatible with the instruments of the Council of Europe regarding human trafficking and the migrant smuggling. Furthermore, the Council of Europe set up an ad-hoc committee to prepare a European Convention against human trafficking, which completed its work at the end of 2004. In the field of police and justice cooperation, the lifting of systematic controls at the internal borders of the Schengen area has for security reasons been compensated with intensified cooperation between member states.