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Opinion

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Europe will dismiss Swiss fears at its peril

By Philipp Hildebrand

Dimensions of integration no longer enjoy broad support, writes Philipp Hildebrand

It could be tempting for the rest of Europe to dismiss Swiss voters as irrational after [Sunday's referendum](#). The vote results in a constitutional amendment that will control immigration, including from EU countries, violating the terms of Switzerland's treaty with Brussels. Yet to dismiss Swiss voters in this way would be a mistake.

The [outcome of the vote](#) is a blow for the government. Hope of meaningful EU concessions will melt away like the late spring snow. A country situated in the heart of Europe now faces a stark choice. Will it continue to enjoy the prosperity that springs from an economy deeply embedded in Europe, and accept the partial loss of political sovereignty that comes with it? Or will it become once again the master of its own domain and accept lower living standards as it grows more distant from European markets? The government must enact legislation within three years to implement the constitutional amendment. There is little time left.

The referendum's far-right sponsors won the vote because they know what they want. The centre and centre-left lost because they failed to provide an alternative narrative and were afraid to put up a fight. It is hard to prevail in the ring when you refuse to use both fists.

Switzerland now confronts a fork in the road. The Swiss parliament might want to begin by jolting the political status quo. One possibility would be to appoint another far-right minister to join the one already in government, and give them both key cabinet posts. That way, the far right can be accountable for upcoming discussions with Switzerland's EU counterparts, and the challenging search for a compromise.

What lessons can Europe, and in particular the UK, draw from this historic vote by the Swiss people and its messy aftermath? It is time to recognise that various dimensions of European integration no longer enjoy broad support. The European project needs to be reformed lest it lose its democratic legitimacy. Arguably, this should move in two directions. Eurozone stability depends on deeper integration among the 18 member states, which should culminate in the establishment of a common fiscal authority. But parts of Europe do not want to follow the path of ever-closer union. For them, reform probably means refocusing on the original trade and customs union remit.

Such a dual-track approach could make it possible for deeply independent countries such as the UK and Switzerland to find a form of membership of, or relationship with, the EU that stands a chance of winning

lasting popular consent. It could also smooth the path to entry for Turkey and Ukraine. These countries are vital to European interests but will never be able to join the EU in its present deeply integrated form.

Such far-reaching changes would probably require significant treaty changes. So far, there is little evidence that the calls for help from David Cameron, UK prime minister, are being heard. Perhaps the Swiss vote can serve as a reminder for Angela Merkel, German chancellor, and President François Hollande of France that, without concessions and reforms, Europe may soon face a much bigger hangover from polls elsewhere than it did this week in Bern.

“Why has government been instituted at all?” asked Alexander Hamilton, one of America’s founding fathers. “Because the passions of men will not conform to the dictates of reason and justice without constraint” was the answer. He was right. But his logic can be taken only so far in a modern democracy. If governments consistently ignore the passions of men and women, they will ultimately be rendered impotent.

From an investor’s perspective, protracted uncertainty about the long-term institutional make up of Europe will undermine growth. This is something the European economy cannot afford as it finally climbs out of the second recession since the onset of the financial crisis. For the continent’s politicians, there is no task more urgent than allaying doubts about the democratic legitimacy of the European project.

The writer is vice-chairman of BlackRock and former chairman of the governing board of the Swiss National Bank