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*Comments on present***SWISS ECONOMIC PROBLEMS***

by

MARCEL HEIMO*Economic Counsellor at the Swiss Embassy**(Continuation from issue 23rd February)*

Accordingly, the British Government opened negotiations with the Six formally in Paris, on October 10th (Mr. Heath's speech) and in practice in Brussels on November 8th, 1961. In the meantime, the Danes have made contact with the Six, and the three Neutrals belonging to EFTA have addressed separate — but in content similar — letters to Mr. Erhard, President of the Council of Ministers of the European Economic Community. The Swiss letter, signed by Mr. Wahlen, at the time President of the Confederation, read as follows:

"Monsieur le Président,

"By endorsing the declaration of the Council of the European Free Trade Association of 31st July 1961, which was transmitted to you by the President of the Association, Switzerland has already expressed her determination to seek, with the European Economic Community, a solution which would allow her to contribute to the creation of an integrated European market.

"In the name of the Swiss Government I today have the honour to propose that negotiations be opened between Switzerland and the European Economic Community with a view to attaining this objective in a manner satisfactory to both parties. Switzerland hopes that the date for the beginning of negotiations will be so fixed that the solutions adopted for all the countries of EFTA can come into force simultaneously.

"The Swiss Government is anxious to reach a settlement compatible with the complete maintenance of permanent neutrality. After a thorough examination of the problems involved, it is convinced that it will be possible to find an appropriate form of participation in the European market permitting at all times the fulfilment of duties connected with neutrality and respecting the integrity of the Community. Article 238 of the Rome Treaty, in conjunction with the declaration by the Governments of the Member countries of the European Economic Community of 25th March 1957, appears to provide the basis for a solution which would take into consideration the requirements of Swiss, Austrian and Swedish neutrality.

"In addition to the requirements of neutrality, certain problems arise for Switzerland, as for other countries, which will need special study.

"The Swiss Government, aware of the great importance of achieving European economic integration, expresses its confidence that the negotiations it is proposing will show positive results."

With the exception of Portugal and Norway, all EFTA countries have thus undertaken the necessary steps to implement the "Geneva Declaration" in conformity with the "London pledge". The game has begun; how will it end? It is rather difficult to foresee. How is Switzerland going to play her cards?

3. Joining the Six, from a Swiss viewpoint.**A. Economic Aspects.**

First of all, there is no doubt that the Swiss economic stake in this game is very high. This emerges clearly from a few figures:

1. Our sales to the countries of the EEC have represented, in proportion to our total exports:

39.4%	in 1956
38.4%	in 1957
39.2%	in 1958
39.9%	in 1959
40.9%	in 1960
41.3%	in 1961 (January-October).

2. In proportion to our total imports, those coming from Common Market countries amounted to:

55.9%	in 1956
57.4%	in 1957
58.8%	in 1958
60.2%	in 1959
61.0%	in 1960
62.6%	in 1961 (January-October).

Not only are these proportions impressive, but they have been rising constantly. There is, then, no doubt that our interest in a satisfactory agreement with the EEC is a major one.

On the other hand, you will have noticed that the proportions are less impressive for exports (40%) than for imports (60%). This means, of course, that the bulk of our external trade is still conducted with countries other than those of the EEC. This should not be forgotten in an overall appraisal of the size of the economic aspect of the problem. Further considerations should be added to this first one. In the short run, EEC presents us with more stringent competitive difficulties in the sense that 40% or more of our export goods are facing increased competition in the EEC markets. And this will continue if we are unable to reach a satisfactory settlement. In terms of percentages, this means, in the end, duties of an average of between 15% and 20% on the goods we are interested in, duties that will not hinder our competitors. It could also be less if GATT, with the active support of the United States, succeed in their endeavours to reduce tariffs.

B. Political Aspects.

So much for the economic side of our Common Market problem. Its political side is still more important because it involves fundamentals. By that I mean the elements which are the pre-conditions of Switzerland's very existence as a nation: her independence, her neutrality, and her internal political organization. Is the use of such big words justified in this context? I believe it is.

History has made Switzerland what it is. A long series of dissensions and conflicts, internal as well as external, political as well as economic, ideological as well as religious, have shaped through the centuries, in form and content, the geographical, intellectual and institutional features of our

country. The upshot, condensed in a nutshell, is federalism and a mixture of parliamentary and direct democracy inside, and neutrality outside. Those are, in the light of a long and difficult past, the conditions of our existence as an independent nation and the best protectors of our internal cohesion and of our internal liberties. If we want — and there is no doubt about our determination — to remain independent and free, those chief traits of ours have to be handled with the greatest care.

May I add straightaway that we cannot expect the world around us to stand still and that, therefore, some evolution of our political institutions is bound to take place. But this evolution must remain under our control. This is especially true for our neutrality. As you know, neutrality has not been bestowed upon us by the great powers, as has been the case with some other countries. As a national institution, it is at the same time the result of necessity — the reverse of a medal whose obverse is internal cohesion — and the emanation of our collective free will. In other words, we have made it our right and the great powers have but recognized it or confirmed it by formal and unilateral consent. What is of our own making we can change. This is especially valid for the external forms of our neutrality: they have been modified in the past and they could also be changed in the future if the vital interests of the country should require it. Now the question is whether our joining the EEC implies modifications in form or in substance.

It seems clear, to me at least, that the fact that the letter of the Rome Treaty is economic is not determinant. In origin, in material and procedural content, in objectives

and in superstructure, that is, in its inspiration and in the will of its sponsors and executives, it is a political act. We have seen that.

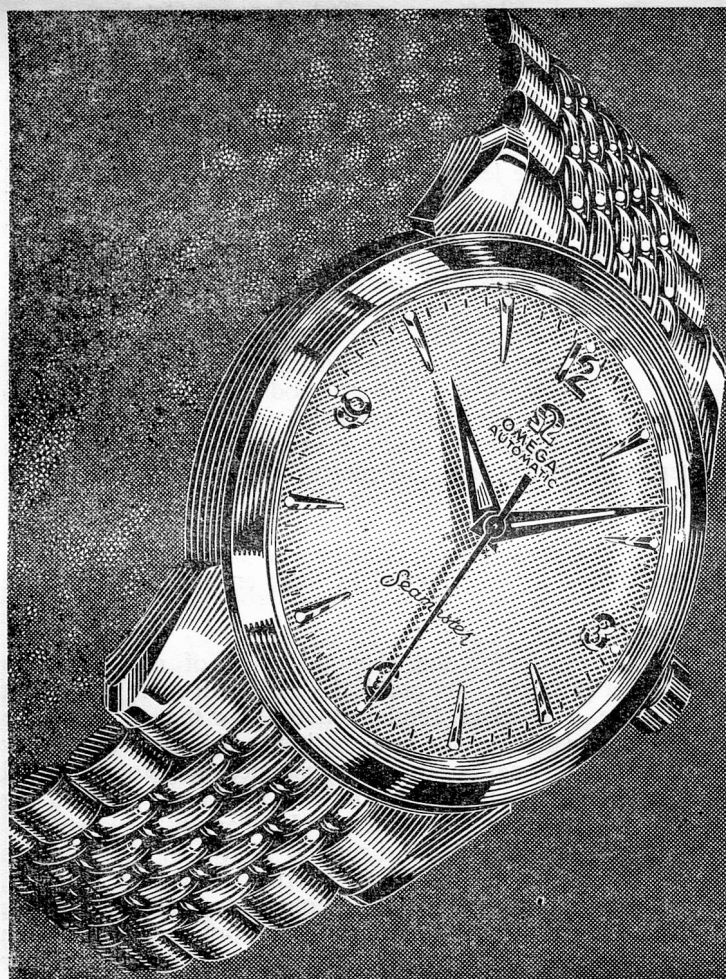
Our full membership would definitely mean, briefly stated:

Irreversibly,

1. relinquishing rights which are amongst the most important instruments enabling the federal State to exercise its sovereignty;
2. curtailing the sphere of application of direct democracy, that is, of the referendum procedure which is now compulsory in constitutional and optional in legislative matters and of the initiative procedure in the constitutional field. This would mean restricting the rights of the people;
3. limiting the prerogatives which still remain with the cantonal Governments;
4. entangling ourselves in international politics, without our being able to influence decisions, owing to sheer lack of weight.

From all this, there is only one conclusion to be drawn: Switzerland's full membership is at present out of the question, as it would imply a change of substance in our political status and as it would amount to consciously sacrificing our soul for the sake of a few mutual but material advantages. What then?

The answer has, I think, been given in general terms in the letter recently sent by Mr. Wahlen to the President of the Council of Ministers of the EEC. An agreement should be reached which would fully respect the integrity of the EEC as well as of Switzerland, and in particular



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take into account our limitations in the political field as well as our possibilities in the economic and financial spheres. Two basic considerations should thus determine the form and the content of an association agreement between Switzerland and the EEC:

- Because of the close economic ties between Switzerland and the member countries of EEC, Switzerland is prepared to co-operate in virtually all the fields covered by the Rome Treaty. Association would therefore not be limited to tariff questions and foreign trade policy but would extend to labour, transport, invisibles, cartels, financial questions, etc.
- On the other hand, Switzerland must safeguard her neutrality and preserve her ability to pursue a policy towards third parties which does not cast any doubt on her determination to remain neutral. To the extent that tariff and trade policy are important elements of foreign policy, Switzerland must retain a certain degree of autonomy in her future dealings with countries outside EEC.

The attitude which is reflected in the preceding considerations runs the risk of being misunderstood. People might say — and some have said — that we try to secure all the advantages in the commercial field without accepting discipline in the other sectors, discipline on which the Six have agreed and which, they declare, constitutes the "political sacrifices implied by the Treaty of Rome". This, in fact, is not true:

- Firstly, it is somewhat difficult for us to believe that the Six accepted these rules in all the non-commercial fields and built up an institutional machinery to that effect without assuming that it would, at least in the long run, be to their mutual advantage.
- Secondly, we ourselves are well prepared to go a very long way with the Six in all these fields and to follow, wherever we can, the policy concepts prepared by our "pioneering friends".

Anyhow, I feel confident that on such a basis, we should be able in the relevant sectors to match by concessions of our own the advantages we should obtain in the EEC markets. That is not to say that the negotiation even of a purely economic treaty should be an easy task, far from it. Everybody who is at all acquainted with the integration problems knows their complexity.

If not easy, the task could be done, but on one condition: that our partners are convinced of the genuineness of our stand on neutrality and of its implications as to the type of settlement to arrive at. This is the essential prerequisite of any satisfactory agreement and, of course, of success. In this connection, the odds are not too good so far and we have not much ground for optimism.

This task of persuasion should of course begin at home. For too many Swiss, neutrality is the word to which reverence is paid once in a while as a patriotic duty. It is like the air one breathes: one is not all the time conscious of its composition, of its functions in the living organism, of the consequences of its absence. So it is for neutrality in the case of many of us. Others are misled by generalizations expressed in questions of the following kind: What does neutrality mean in this age of atomic weapons? Can we remain neutral at the present political juncture, where West and East are fighting for survival? Is not the movement towards integration so strong that we are going to be swept away by it in any case? All such questions should first be examined, and possibly answered, in Switzerland. I believe they have been studied, but of course the answers cannot be as precise and clear-cut as the questions because we cannot foresee all that the future will

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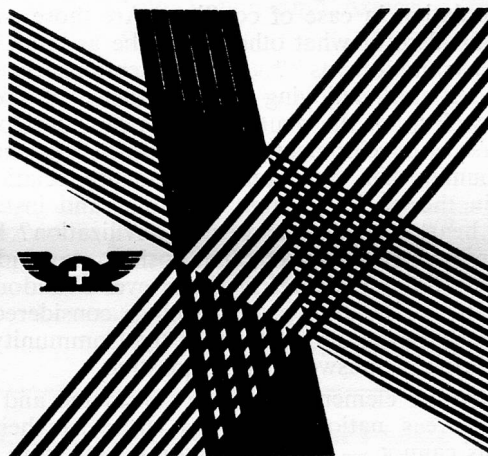
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bring. Anyway, our negotiations must be backed by the strong conviction at home that our case is a genuine and a legitimate one.

Our efforts to enlighten and persuade should also be directed towards our future partners. We should do everything possible to avoid landing in a situation where negotiators would be speaking different languages, giving different meanings to the same words. For instance, neutrality is too frequently presented as a purely egoistic and selfish status and policy. We cannot leave it at that. That it is a status and a policy conceived and applied in Switzerland's own interest, why deny? I have never heard of a Government adopting a political status or willingly following a policy detrimental to its own interests or to those of its people.

But there are aspects of neutrality which are beneficial not only to us but also to our neighbours and to the world at large. Speaking to a mainly Swiss audience, I can dispense with the enumeration of the many humane, philanthropic or charitable actions performed by our country in times of peace or war, when the need has arisen. Moreover, the actions initiated, and the work done, with the support of the Government, by, for instance, the Genevese International Red Cross are so well known that they need not be even mentioned. I will also pass over our participation in practically all the solidarity actions — economic and financial — of a non-political character which have been frequently organized on a regional or world basis. May I stress the fact, however, that personalities have been and still are asked in certain circumstances, because of the neutrality of their country, to act as international intermediaries or trustees; they can therefore perform tasks which, for being unassuming, discreet or even unknown, are none the less useful to the community of States; such personalities are undoubtedly in a position to be of great help, the more so if their neutrality is respected by all. Though I have not mentioned it, one should not forget that ours is an armed neutrality, which entails not only heavy direct financial sacrifices — more than one-third of our 1962 budget is devoted to defence — but also indirect ones which are continually demanded of us in order to secure the functioning of our economy and the feeding of our population in case of conflict. Are those expenses not the equivalent of what others describe as "the burden of political commitments"? Is it pretentiousness on my part if I add that, enjoying the confidence of the committed as well as of the neutralist countries, developed or in the course of development, Switzerland, as a permanently neutral country, can contribute to the appreciation and diffusion in the world at large of values and institutions which are heart and pillar of western civilization? Finally, would our country be in a better position to render services to Europe and the world if she ever abandoned her present status of neutrality? All things considered, I do not believe that even our partners in the Community could give an affirmative answer to that question.

Yet another element should be considered and understood. Whereas nations great by virtue of their large populations cannot — barring an atomic cataclysm — lose their identity whatever their difficulties, Switzerland, as a multi-racial, multi-lingual and multi-religious community, as an aggregate of mainly three groups whose cultural roots, affinities and centres of gravity lie in neighbouring countries, could in time break into pieces and dissolve. Should its political institutions be weakened by a kind of European streamlining, internal or external strife could in such a culturally divided country affect the common

political will and bring centrifugal forces to the point of disintegration. This is what we are finally up against, and it constitutes the core of our position against which reasons of opportunism must not prevail.

It may be that time will be required for persuasion to take effect. It may therefore be that for a time, as Mr. Wahlen mentioned in one of his recent speeches, Switzerland will be isolated as regards her commercial relations with the EEC. The difficulties which would then arise would not be insuperable, I believe, as I said before.

Broadly and briefly put, my conclusions are the following:

1. Switzerland is all in favour of the economic integration of Europe: she has fully subscribed to the common aim of establishing a single all-European market of 300 million consumers;
2. EEC being in essence, if not in appearance, a political construction, Switzerland must be excluded from full membership;
3. our joining the Common Market should take the form of an economic agreement whose contents should be in conformity with our country's status of permanent neutrality;
4. the difficulties that will be raised by the negotiation of such an agreement could be overcome, but on one condition: that the genuineness of our neutrality status and its implications for integration be recognized by our partners. In this connection, difficulties seem to lie ahead;
5. consequently, technical preparations in view of the negotiations should go hand in hand with spending ourselves in an all out endeavour to persuade primarily our future partners, but also some of our fellow-citizens, of the vital importance of Switzerland's permanent neutrality for her, for Europe and for the world.

To add a more sanguine note, let me say that the darker side of the picture I have been sketching before you — a quite incomplete picture by the way — may possibly be the product of a speculative mind which over-estimates the obstacles to a satisfactory agreement and under-estimates our future partners' appreciation of Switzerland's possible contribution as a neutral country to an enlarged European Community. We shall see.
London, 5th January 1962.

(Conclusion)

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