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The Swiss Observer

FOUNDED IN 1919 BY PAUL F. BOEHRINGER.

The Official Organ of the Swiss Colony in Great Britain

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SWITZERLAND AND EUROPEAN INTEGRATION

On 24th September 1962 Switzerland stated her case to the Council of Ministers of the European Economic Community in Brussels. The Swiss Foreign Minister Federal Councillor F. T. Wahlen, and Federal Councillor H. Schaffner, Minister for Economic Affairs, presented the declaration, a summary of which was published in the "Swiss Observer" on 12th October. European integration has been much to the fore and it may be helpful to look back a few decades and recapitulate the events in the history of "the Six and the Seven" (based on "Welt-schweizer" N.H.G. Youth Magazine, Berne.)

In the twenties there were so many political differences in Europe that economic co-operation was virtually impossible. There were voices who spoke up for European unity, notably the Austrian Count Richard Coudenhove-Kalergi, the propagator of the "Pan-Europe" idea. We remember the efforts of the French Foreign Minister Aristide Briand to bring about the first step in a union through the Locarno-Pact in October 1925. His ideas were seconded by the German Foreign Minister Gustav Stresemann. But all these efforts to unite Europe were killed when Hitler rose to power and the race mania of National Socialism led to World War II.

At the end of the hostilities Europe was shattered, and at last there were signs of closer co-operation necessitated through lack of food, economic troubles and the threat of Communism from the East. 1942 brought the Atlantic Charter, and in August 1946, Sir Winston Churchill made his famous speech at Zurich University when he referred to a possible European integration.

Then followed the creation of GATT (General Agreement on Tariffs and Trade). A year later, the American Secretary of State George Marshall appealed to his country for help to Europe in her struggle to reconstruct. All European countries were invited to attend the conference in Paris, but Russia and her satellites refused. Ten months later the Marshall Plan became OEEC (Organisation for European Economic Co-operation). Thus a new era of combined effort of the signatories began. Out of OEEC came the European Payments Union. It looked as if European integration could become a reality.

In 1950, the French Foreign Minister R. Schuman brought forward his coal and steel plan. However, Britain was not prepared to join unconditionally and it soon became clear that complete unity was still a long way off.

In July 1952 the treaty of the European Coal and Steel Community (Montan Union) was concluded, designed to unite France and Germany, to create a common market for heavy industries and to appoint a supranational authority on questions of production, prices, transport, investment, etc.

In June 1955, the six countries (France, Germany, the Benelux States and Italy) met at Messina and planned the first steps to a Common Market Community. On 25th March 1957, agreement was reached in Rome and EEC (European Economic Community), came into being on 1st January 1958. The efforts of OEEC to create a free trade zone to cover the "Six" as well as the remaining members of OEEC were not successful owing to the negative attitude of the French Government (November 1958). Thus a first economic rift began to show itself in Europe.

Six months later representatives of Great Britain, the three Scandinavian countries, Austria, Portugal and Switzerland decided in Stockholm to associate. The EFTA (European Free Trade Association) Convention was signed on 4th January 1960. Its aim was mainly a gradual introduction of free trade amongst the "Seven", but at the same time striving to create the right basis on which to negotiate with the Common Market countries in order to prevent a complete economic division in Europe.

In summer 1961, Great Britain and Denmark decided to approach EEC, and on 15th December the same year Switzerland applied for associate membership. Her neutrality and political set-up would never allow full membership. The Common Market countries have created some supranational bodies which would interfere with Switzerland's democratic freedom. It is not only her neutrality which would be a stumbling block.

In an article in the "Schweizerisches Kaufmaennisches Zentralblatt" (August 1962) National Councillor Ph. Schmid-Rudin referred to questions of social politics, i.e. insurance for old age, dependents, invalidity, etc., which Switzerland would not be able to continue in her own way as a full member of the Common Market. Another aspect is that of foreign labour. Between 600,000 and 700,000 foreign workers are today employed in Switzerland — and impressive if not alarming figure. National Councillor Schmid said that today it was still up to us to regulate that figure. Once a full member of EEC Switzerland would lose this right and the supranational body would decide. Another point concerns equal pay for men and women for equal work. There is an international agreement which the Swiss Parliament was asked to ratify. The opposition of the Council of States prevented this. Whilst this question will have to be dealt with in Switzerland in due course, it will be the Swiss themselves who decide. According to the Treaty of Rome the principle of equal pay will be introduced in all member states. In other words, it would be imposed on Switzerland who would no longer have the vital right of self-determination. Such and other reasons make it amply clear why only associate membership would be possible for Switzerland.

The subject of Switzerland's integration has been well aired and the problems pin-pointed and discussed orally and in print. Speakers from Common Market countries have been giving talks. Early in November, important discussions took place in the "Association pour l'Etude des Problèmes de l'Europe" in Basle. This organisation is a private body founded in 1958 in Paris by the Italian journalist G. V. Santieri. Its aims are to create a platform on which the big European problems can be discussed objectively and at high levels without committing governments. The meeting in Basle was devoted to the three neutral countries, Sweden, Switzerland and Austria, as well as to monetary problems. Amongst the three hundred participants were the Secretary General of the Council of Europe and several Ministers and other eminent personalities from economic and political life.

Federal Councillor Schaffner said in a speech at Altdorf early in December that the internal structure of the Swiss Confederation with its rights of the people and its political and military independence would never be jeopardized. But economically Switzerland was willing to make concessions and even sacrifices in the interest of European unity. He gave a warning that the big problem was not so much negotiating with EEC as whether we could solve the three major questions in our country, viz., to stop the wage- and price spiral, to call a halt to the excessive economic boom and to reduce the foreign labour influx into Switzerland.

The Swiss Ambassador in London, Monsieur Armin Daeniker, addressing the Swiss Mercantile Society at their Annual Banquet on 26th January, referred to these problems. He said the latest news regarding European integration was hardly likely to encourage our country to make sacrifices that would most probably be necessary if any kind of association was to be possible. "Switzerland", the Ambassador continued, "is not a maritime island, but it is an island in the middle of the European continent; owing to the pioneer work of many representatives of our mercantile and industrial circles it has contacts with the most distant countries of the world, and these relationships are the foundation of our prosperity. Switzerland is part of Europe and quite ready to contribute to its unity, but this unity should not be forced into a rigid frame forming part of a structure which aims at self-sufficiency and is closed to the outside world by protective barriers. I think that because we are a country enclosed within the heart of Europe we always need the refreshing breath which comes to us over the wide oceans.

"But there are quite different problems at present preoccupying our Swiss authorities. Generally speaking, they are not given enough attention by the Swiss abroad. In contrast with this country, we have no unemployment, but full or even over-employment has reached proportions which can hardly be controlled. We have at present a foreign population which, including residents, amounts to 730,000; one-third of our working population are foreigners. Our authorities spare no efforts in warning people against the dazzling but wholly illusory outward appearance of our present prosperity. Our imports have reached record heights — one milliard francs a month. outgoing payments are increasing continuously. We have an investment boom such as we have never known before, helped by an influx of foreign capital; this pushes up prices, wages and costs to a level which sooner or later will impair our competitive strength. Thus our country is faced with

a problem much more acute than those resulting from integration. If, in addition, it has to be solved under the threat of discrimination in Europe, the outlook will indeed be very serious for us."

In another speech on the economic boom Federal Councillor Schaffner made it clear that failure to reach agreement with the Common Market was quite within the realm of possibility. There were no illusions in Berne. In an article in the "Basler Nachrichten" on 30th December Hans Fisch (Berne Editor of the "Basler Nachrichten") wrote that 1962 had been a year of maturing on both sides, for those in and out of the Common Market, but that we were no nearer association at the end of the year than we had been at the beginning. Fruition was a long way off.

The Swiss Government issued a statement to the press on 18th January through Federal Councillor Wahlen. In it the Federal Council expressed its hope that a solution might still be found which would prevent Europe from splitting into two economic blocks. The spokesman of the Swiss Government referred to the development of EFTA and reaffirmed the solidarity of its member countries. The Federal Councillor repeated that whilst waiting for the outcome of the Brussels negotiations "our own house should be put in order". We must strive to keep the purchasing power of the franc high — the best policy in any event. Referring to EFTA solidarity, it must be said that Switzerland has carried out her obligations to her Free Trade partners all along. Incidentally, Federal Councillor Schaffner led the Swiss delegation to the last EFTA meetings of Ministers in Oslo in October, and Switzerland, too, was well represented at the meeting of the EFTA Consultative Council early in December, also in Oslo. The Swiss Minister for Economic Affairs, Federal Councillor Schaffner, headed the Swiss representatives to a meeting of OECD (Organisation for Economic Co-operation and Development).

In connection with EFTA it may be interesting to note that the two Swiss politicians National Councillor Peter Duerrenmatt and National Councillor Olivier Reverdin, whose visit to London at the invitation of the British Government was reported in the last-but-one issue of the "Swiss Observer", were very impressed by their reception in the British Capital. On their departure on 14th January they issued a communiqué which the London Correspondent of the *Agence Télégraphique Suisse*, Mr. Gottfried Keller, transmitted to Switzerland. It stated that the two parliamentarians had aimed at two things in their visit, firstly, to improve their own knowledge and understanding of the British Isles and secondly, to get to know the views of official circles and public opinion regarding the problem of European integration. The two National Councillors, both editors of important newspapers ("Basler Nachrichten" and "Journal de Genève" respectively) were very impressed by the frankness and readiness to impart information which they encountered everywhere during their numerous contacts with personalities in British political, economic and cultural life. Their conviction was strengthened that Switzerland's association with EEC will depend on whether Great Britain enters the Common Market. They are also convinced that true European integration will only become real once Great Britain with her vast political experience is in EEC. Finally the two Swiss M.P.'s have received unequivocal affirmation regarding Britain's commitments towards her EFTA partners.

The "Times" stated on 22nd January: "President de Gaulle's speech and the subsequent attempt by the French delegation in Brussels to break off the negotiations with Britain surprised even those Swiss who had not lost their distrust of the French leader's attitude towards extending the Common Market since he torpedoed the free trade zone negotiations in 1958.

"When EFTA was created in 1959, the Swiss supported Mr. Maudling's view that a new collective approach of the Seven should not be made without having secured French political readiness to come to terms in advance. Though Mr. Macmillan's decision to start negotiations was well understood in Switzerland, the general opinion at that time was that the new approach was premature, because the above-mentioned condition was not yet fulfilled.

"The readiness of Britain to accept the Treaty of Rome, its willingness to join in the common agricultural policy after a certain period of transition, its many concessions as concerns its former relations with the Commonwealth, and the fact that the negotiations had already lasted a year and a half and were, on the technical level, near a successful end had, however, strengthened hopes that the political opposition of France had been mitigated and that the French too, under pressure from their five partners, would finally have to agree. The manner in which President de Gaulle has now acted is deeply resented in Switzerland."

Now the negotiations between EEC and Great Britain have broken down. Whatever the economic and political consequences for the British Government and Nation, disappointment is keen in Europe, in EEC as well as in EFTA countries. In Switzerland, the view is that it is not up to the Swiss to pass any censure. Switzerland undertook her bilateral approach to EEC in common with other EFTA countries. It is therefore natural that her policy will to a large extent depend on what her EFTA partners decide. The Federal Council is calm and quietly awaits the next EFTA Ministerial Meeting which starts in Geneva on 17th February. As the parliamentary correspondent of the "Basler Nachrichten" rightly reported on the day after the break-down "Berne has already said all that is necessary".

It has been stated that the Common Market Machine remains, but that the spirit has been knocked out of it. Indeed, for the moment, France's EEC partners don't seem to be willing to rally round President de Gaulle. All that has happened will provide EFTA with an opportunity of proving its strength and good will in the creation of an integrated and united Europe. Through recent developments, Switzerland may have been given a respite to put her own house in order so as to be better prepared to play her part in ultimate European unity.

SWITZERLAND AWAITS OUTCOME OF BRUSSELS TALKS

Political Influence on Economic Affairs

Ask in Zurich about Switzerland's economic prospects in 1963, and one is apt to be met with a counter-query: "Is Great Britain going to join the European Common Market, or not?" The Swiss are hanging on the answer. They get between 25 and 30 per cent of their national income from export trade, and about 40 per cent of that trade is done with Common Market countries. Thus, to stay outside E.E.C., in the face of a progressive raising of tariffs against non-members, could prove hazardous. The Swiss were ready to take the risk if Britain were to become the kernel and bulwark of a rival trade block. But if Britain goes into the Common Market, Swiss businessmen feel they will have to work out a *modus vivendi* with it, too — though the prospect greatly exercises some of them, in view of the impact on national sovereignty and traditional neutrality.

German Pessimism

It is not only in Switzerland that such political considerations vitally influence economic affairs. It is the same all over Western Europe. In France, the one single development most influencing the attitude of businessmen towards 1963 has been the strengthening of the hand of President de Gaulle and the Pompidou Government. Had the outcome of the November elections gone against de Gaulle, the business community no doubt at this stage would have been filled with doubt and apprehension. Now it is reassured, not the least by the knowledge that the Fourth Plan, the informal programme representing a compromise between what business would like to do and what the Government considers in the national interest will go forward with its target for expansion throughout its economy.

Some of the pessimism one encounters in west Germany at this time undoubtedly reflects the toils that the Adenauer Administration has found itself in as a result of the *Der Spiegel* affair, and doubts about the future of Dr. Adenauer himself. Nor can international politics be ignored. It goes without saying that the outcome of the Cuba crisis has been interpreted bullishly by business, though in west Germany the satisfaction is tinged by new anxieties over the fate of Berlin. Generally speaking, the setting back of the Soviet Union politically has increased confidence that President Kennedy will be equally determined in his economic decisions, especially those aimed at expanding international trade and getting the United States economy on the move.

Dominant Factor

Businessmen on the Continent continue to express concern on this latter subject, saying that their activities cannot be immune to trends in the United States. But it is clear that this is no longer as important in their thinking and planning as it used to be. Some industrialists say that the dangers of recession in the United States continue to be stressed out of habit, and almost out of politeness, to a greater extent than is justified by the facts. More important in the long run could be a powerfully mounted export drive by the United States, especially to third markets.

Otherwise, the tide is seen to be running against the United States, with increased investment by American firms in western Europe an important factor in sustaining economic activity there. But if "rich" Europe can now afford to be less worried about what happens in the United

London Group

Tuesday, 19th February, 7.45 p.m.

at Swiss Hostel for Girls, 9 Belsize Grove N.W.3

OPEN MEETING

Monsieur W. ROCH,

First Secretary at the Swiss Embassy
will speak in French on TUNISIA
and show coloured slides.