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Speech by Monsieur Claude Caillat, Swiss Ambassador, Anglo-Swiss Society Dinner, Thursday 18th March, 1980

Mr. President, Minister, Ladies and Gentlemen:

May I first tell you how delighted my wife and I are to be with you tonight. I wish to thank you, Mr President, most warmly for so kindly inviting us. I am also very grateful for your cordial words.

The Anglo-Swiss Society is doing a remarkable job in promoting a close relationship and mutual understanding between the United Kingdom and Switzerland, and I am particularly glad to be delivering my first address in London to the members of such a distinguished body.

As you know, it was suggested that I should speak to you about relations between Switzerland and the Common Market. My colleagues at the Swiss Embassy gave me a lot of friendly advice regarding my speech. "Don't speak too long," they told me. "Remember, it's an after-dinner speech, and for Heaven's sake don't be too technical, it isn't done in England." Well, for your sake and my own, I'll try to follow these pieces of advice.

Returning to relations between Switzerland and the Common Market, I think I should first mention that the Common Market is no longer an issue in Switzerland, so that the situation is very different from what it is over here.

In the Sixties there was a sort of movement in Switzerland in favour of membership of the Common Market. Many young people looked on the Common Market as being the dawn of a new Europe, a unified Europe, which would be able to speak with one voice.

That view was not confined to Switzerland. The Kennedy Administration was firmly convinced that the Common Market would automatically become a political organisation, a United States of Europe. To help achieve this political aim the United States was ready to pay an economic price, that is, to accept discrimination against U.S. products on which customs duties would have to be paid if they were to enter the Common Market.

The United States then discovered that, while it was paying the economic price for the Common Market, it was not getting any political advantages because the Common Market was not moving

towards the creation of a United States of Europe. That caused some frustration in Washington and a few years ago the relationship between the United States and the Common Market became rather strained.

Henry Kissinger once told me that the difficulties which arose at that time between the United States and the Common Market were mainly due to Washington's misconception of the true nature of the Common Market. Washington wrongly believed that the Common Market, which is an economic organisation, would become a political organisation by its own momentum. Henry Kissinger thinks that such an evolution is completely impossible. In his opinion a political organisation can only result from a political decision. And it is quite obvious that the member countries of the Common Market do not intend – and in fact would be unable – to take such a decision.

The fact that the Common Market has not become a new political entity and is not likely to become one in the foreseeable future has caused a certain disappointment among the Swiss supporters of the Common Market. Indeed, Swiss public opinion shows some indifference with regard to the Brussels organisation. People tend to consider the Common Market as a vast bureaucracy which generates puzzling techniques and intricate procedures very alien to the spirit of the Rome Treaty. One is apt to forget that the very existence of the Common Market is a major political fact, and that political co-operation between member countries has led to many successes in spite of diverging interests of those member countries. Furthermore, the Common Market has promoted economic co-operation between its members and that has benefited them all.

Why hasn't Switzerland joined the Common Market? If she had, she would have been forced, because of the political goals of the Common Market, to renounce her neutrality. If the member countries had accepted Switzerland with her neutrality it would have meant that they were renouncing political union, a distant objective but an objective, all the same.

Other reasons have compelled Switzerland to remain outside the Common Market. May I mention a few of them. First, the Swiss

agricultural policy, which is a policy of very high subsidies to Swiss farmers. These subsidies would be incompatible with the agricultural policy of the Common Market. We could not possibly abandon them because the livelihood of our farmers depends on them. Owing to the harshness of the climate in many parts of Switzerland, farmers work under very unfavourable conditions and they have to be supported. For political, military – and economic – reasons we don't want Swiss agriculture to disappear. Furthermore, Swiss agriculture is our means of preserving the environment.

Another reason for staying out of the Common Market is the need for Switzerland to retain her treaty-making power in external economic relations because of her strong links with world trade. As you know, the Common Market system provides for the transfer of authority to conduct commercial policy from the governments of member countries to the Common Market Commission in Brussels.

Yet another reason for staying out of the Common Market is the impossibility for Switzerland to apply the principle of free circulation of workers, since foreign labour in Switzerland already by far exceeds, proportionately, the level which has been reached in other European countries.

It was in the interests of the Common Market and Switzerland to keep intact – and even improve – trade between them, in spite of Swiss abstention from membership of the Common Market. That is the reason for the Free Trade Agreement which Switzerland concluded with the Common Market in 1972.

The conclusion of that agreement did not go off without a hitch. Some of the Community governments were opposed to the idea. They thought Switzerland ought to abandon her neutrality and become a full member. In their eyes it was the political price Switzerland had to pay.

In the end it was on the initiative of Joseph Luns, who was the Dutch Foreign Minister, that the Community decided in 1969 to open negotiations not only on the accession of Britain and other states but also on the conclusion of free trade agreements with certain countries

like Switzerland which could not become members. The necessity of not upsetting trade in Western Europe had been the decisive factor.

The Free Trade Agreement between the Common Market and Switzerland provides for the elimination of customs duties on industrial products. Its aim is to promote trade in both directions.

The Common Market is our most important commercial partner. We send 47 per cent of our exports to the Common Market and receive 68 per cent of our imports from it. Switzerland is an excellent customer of the Common Market. The deficit of our trade balance with the Common Market reached 11.8 thousand million Swiss francs in 1979. All that Swiss money more than compensates for the Common Market's trade deficit with the United States.

The effect of our trade agreement with the Community is difficult to evaluate. As I said, the agreement provides for the elimination of customs duties on industrial goods. It has been pointed out that nowadays the effect of customs duties is smaller than that of monetary fluctuations and variations in the price of raw materials. All the same, we think that our Free Trade Agreement has certainly helped the

development of our trade with the Community.

I should now like to say a few words about the European Monetary System, a subject of interest to both our countries. We think the creation of that system was a good move, since its purpose is to create a zone of monetary stability.

We have achieved an important measure of pragmatic co-operation with the European Monetary System. For instance, there are daily consultations between our National Bank and the central banks of the countries taking part in the system. These consultations enable us to co-ordinate our interventions on the money markets and to maintain a stable relationship between the Swiss franc and the currencies of the Community.

Finally, I should like to mention a very important development: the enlargement of the Community. As you know, Greece, Spain and Portugal are going to join the EEC. Turkey is seeking closer ties with the Common Market and may eventually join.

The enlargement of the Community creates extremely complex problems and that is the reason why some member countries, especially Germany, were resisting it a few years ago. Germany has reversed

her stand on the question completely, realising that the admission of these countries to the Common Market is a political and economic necessity. The industrialised countries of Western Europe cannot afford to let Southern Europe drift into economic difficulties and perhaps chaos as well as political disruption. Such a process might drag the whole of Western Europe into a political and economic shambles. Germany, which will have to bear the main financial and economic burden of the enlargement, is now firmly committed to it.

The enlargement of the Community will also affect Switzerland. There is no doubt that, as a result of the enlargement, the Community's decision-making machinery will be more cumbersome and that, consequently, the Community's relations with third countries like Switzerland will be more difficult to manage. But for Switzerland, too, the fate of Southern Europe is extremely important, and that is why we support the idea of the enlargement of the Community.

Mr President, Minister, Ladies and Gentlemen, perhaps I have been too long and too technical despite my promises. If that is so, I offer you my apologies and hope that you will forgive me.



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