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Forum

1992:

Open or closed doors for Switzerland?

In 1992 the Common Market as envisaged in the Treaty of Rome should become reality. That is to say the famous european economic area in which workforce, capital, goods and services can circulate freely. What will this mean in general and for Switzerland in particular?

The Twelve of Europe gave themselves seven years to realise the European Common Market as set out in the Treaty of Rome, when in December 1985 they accepted the contents of the 'White Book' as prepared by the EEC Commission and two months later signed the European Single Act, which above all created the possibility of passing decisions according to the majority and not the unanimity principle.

What is the position today as we approach the halfway mark? The least one can say is that the EEC has taken a large step for the history books by setting an expiry date for the realisation of its Domestic Market. Even if this date of 1992 – or to be more precise: 1st January 1993 – cannot be adhered to (and the many problems give one good reason to believe that this will be the case), at least the mere setting of a date has given new impulse to the european dynamic. Today it is no longer possible to take up any kind of economical theme in public without taking '1992' into account. No speech, no piece of study, no seminar is held in Switzerland at present, without referring to this magical date.

From Europessimism to Eurocentrism?

The most important point is the following one: If the economical fate of western Europe seemed to have been doomed to failure a few years ago (one believed that the future belonged to the pacific basin alone),



The Swiss Foreigners Policy stands in crass contrast to the freedom of movement of the labour force which exists in the EEC-area. (Picture: KeyColor)

then the position of the old continent today is once again 'well in hand'. Not only its dimension justifies the discard of europessimism (with 332 million consumers compared to 243 in the USA and 122 in Japan, the two other major economic powers of the western world), this pessimism having been diagnosed by informed observers a few years back. But also and above all it is an extraordinary fact that Europe and no other part of our planet today is the pace maker to which the worldwide economic integration has to suit itself.

One can definitely say without succumbing to a cheap eurocentrism (in the meantime the USA still plays the leading role in the economic world order and south east Asia has the largest economic growth) that the new global economic strategies and the axes to be observed in the economic politics of the most important states form a response to the creation of the european Domestic Market and not to any other regional economic development.

However, the Domestic Market should not be taken for more than it is, nor should the considerable obstacles be underestimated, that will have to be combatted before it can become reality. The Domestic Market is after all nothing other than an area without custom barriers (this it already is) and without any tax, administration, technical and finally without any physical restraints (no more 'customs' on the borders). What one often forgets is that it is also an integrated monetary market, in other words it is free from the obstacles which result from unexpected fluctuations in the rates of exchange. To start with the Twelve based itself on the assumption, that the Domestic Market could be realised by means of a harmonisa-



tion of the national legal apparata. However, it soon came to recognise the enormousness of the task it faced. By the end of 1988 one could count, subject to error, 320 'directive' proposals from the Commission,



of which one third at the most have been adopted at Council level. These proposed 'directives' only touch on the central objectives which have to be handled. Thus for reasons of practicality it was finally decided to replace the attempt to harmonise twelve national legal systems by the principle of 'mutual recognition'. This means that any validation set for any of the EEC countries be made valid for the others too ipso facto. This, if you like, corresponds more or less to the favoured-nation clause, which is applied principally within GATT. So can, for example, a 'cabbage sausage' with a German sales authorisation, be freely distributed in Portugal. Similarly, a washing machine can be sold in England, if it is produced according to Italian standards. This decision has greatly simplified the Communities timetable. However, one has to admit that it also considerably limits the strict unified character of the large domestic market.

This does not though make the problem for Switzerland less impressive: What will be-

Inheritance

Consulting on the division of estates in Switzerland:

Inventory, financial plan, estate division contract



Treuhand Sven Müller Birkenrain 4 CH-8634 Hombrechtikon ZH Tel. 055/42 21 21 come of our entreprises when the Twelve of Europe tomorrow give the advantage of unlimited access to the Domestic Market to the most important competitors of Swiss industry, Swiss banks and insurance companies (meaning the major competitors Germany, France, England and Italy)?

A large proportion of the reply evidently depends on the 'philosophy' which the Twelve adopt. If the Domestic Market can be seen as being above all a regional attempt to further the free trade system, then Switzerland has nothing to fear. A simple reciprocal obligation will open her access to the extensive european market. However, the delicate question has to be asked about the (major) exceptions to be tolerated as far as our own free trade principles are concerned: What becomes of our foreign worker policy? What happens to our agricultural policy? The adroitness of our Swiss negociators will above all have to concentrate on finding a credible justification for these weighty particularities.

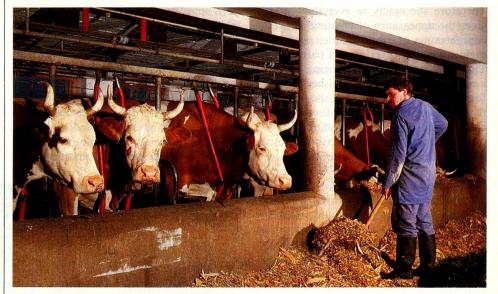
Switzerland in the face of a Fortress Europe?

If though '1992' is to be synonymous with the construction of a Fortress Europe then

ciated with the EEC in the Free Trade Agreement of 1972.

The so-called Luxemburg Declaration, adopted in 1984 by the EEC and EFTA countries, aiming to create a 'homogenous and dynamic european area', which would cover all of the member states of the two entities, today acts as a lifebelt which the Swiss economic diplomats hang on to, to stave off the dreaded fate. Without wanting to diminish the extent of this political engagement, we must however realise, that the organs of the Community rarely refer to this Declaration today. The Twelve is obviously more occupied at the moment with trying to achieve its Domestic Market than with pondering over how third states could be associated with the common work, even though these third states are most definitely bound to the Twelve through their important commercial flow (Switzerland makes use of every opportunity to remind that she is for example the second or third most important EEC trading partner). They are nevertheless excluded from the game of the sovereignty concessions which the EEC states have mutually worked out for themselves.

Thus only one of the two following possi-



Entry into the EEC should lead to a further diminuation of the Swiss agricultural sector. (Picture: KeyColor)

we would have real cause for fear. On that scale Switzerland would inevitably be relegated to the level of a third state – quite simply because the limitations of her own market would not be in a position to offer any exchange business on a large enough scale. The only exceptions would be what she can save through the advantages negobilities come up for consideration: either Switzerland hangs on to its almost ideological dependence on the principles of multilateral exchange and plays consequently the card-hand of GATT (and of the Uruguay Round), or she stops chasing her tail once and for all and stops defending her local patriotism and starts to prepare

Forum

herself today for her future entry into the EEC. The alternatives are clearly defined. The only degree of freedom which remains for Switzerland – which is though not negligible – derives from the fact, that the

realisation of the Domestic Market will require far more time than anticipated. There are enough reasons though for us to get used to it. *Marian Stepczyński*

The Authorities' European Policy

To remain compatible with Europe

The Federal Council published a detailed report in autumn 1988 entitled 'Switzerland's position within the European Integration Process'. In this report it establishes that at present an entry into the EEC is not the goal of our integration policy, but that we must nevertheless adopt a 'European reflex'.

Europe hasn't only become a point of discussion in Berne since there have been signs that the unified EEC Domestic Market is about to come into effect. As a small state, Switzerland was and is dependent for its exports on an open world trading system. Therefore she reacts to everything which gives the appearance of creating a further concentration of economic interests within exclusive circles of privileged participants. The EFTA was envisaged as being above all a means of combat - as established by Lévy, former Trade Diplomat. On the one hand the EFTA exists to prevent discrimination against non-EEC member states. On the other hand as an opposition to the supra-national concept of the EEC through its own free trade philosophy. This foresight was not wrong and found ratification at the first joint meeting of EEC and EFTA Ministers in 1984, where they pledged unity to a homogenous and dynamic european economic field having conditions as comparable as possible to a domestic market. The Federal Council considers EFTA still today as an important european political platform.

Active Integration Policy

The irreversability of the EEC integration process, which was at first thought to be questionable, but which has proved itself through consolidation and constant expansion, forced Switzerland, however, to make a legal ruling of her bilateral relationships to the EEC. This she did in 1972 with the signing of a Free Trade Agreement. It essentially regulates free exchange of industrial products. The contractual partners recognised

already in 1972 that this would in the long term not optimally cover the participation in the integration process. The agreement therefore includes a development clause for the expansion of relationships in other areas. Based on this clause the relationships have since been deepened and expanded with a network of over a hundred legal agreements.

The Federal Council admits in its report about the european integration process, that the economical outcome of a full participation in the EEC Domestic Market would be predominately positive in the long term. Despite strong pressure to adjust, which would be especially difficult in the agricultural field, the efficiency and prosperity effects on the economy as a whole would predominate. However, in the foreseeable future, the neutrality and political questions are to prevent any steps towards entry. The Federal Council does not though exclude the evolution of the EEC towards a Federal State with a stronger federalism, and this is the reason why Switzerland's position concerning the entry question should be looked at periodically and brought up for discussion.

Switzerland: A part of Europe

The central question today, however, is how Switzerland could belong to this Europe,

EEC Seminar

A Seminar entitled 'EEC 92 and the Swiss Abroad' is to take place 9–10 June 1989 as a continuation in further depth of the main theme of last year's Assembly of the Swiss Abroad held in Näfels. The Seminar is to be organised by the New Helvetic Society in cooperation with the Organisation of the Swiss Abroad and the Service for the Swiss Abroad of the Federal Department of Foreign Affairs. Details are to be found on the green local pages of the European issues of the Swiss Review or direct from the Secretariat for the Swiss Abroad, Alpenstrasse 26, CH-3000 Berne 16.

without becoming a member of the EEC. Switzerland is part of and central to Europe and does not want to become aloof to this continent, to which she belongs as a natural



Popular Initiative and Referendum: The question of the EEC-compatability of new Swiss laws is to be posed with or without a Swiss EEC-Entry. (Picture: Keystone)