

English Translation

Brussels, 10 November, 1970.

Opening Statement of Switzerland

Mr President,

With the conclusion of the transitional period of the European Communities, the beginning of work for the deepening of co-operation, and the start of negotiations on the enlargement of the Communities, new perspectives of a fundamental significance have opened on the European horizon. The Swiss Federal Council particularly appreciates that, at this juncture, the European Communities open talks with Switzerland and the other neutral members of the European Free Trade Area. The Communities thus show that an overall solution is to be sought, taking into account conditions shaped by organic growth over a long period of time, and avoiding new economic disruptions in Western Europe. This attitude fulfils a wish of long standing with the Swiss Government and which has repeatedly been brought to the attention of the European Communities.

Switzerland participated in European post-war reconstruction efforts out of the conviction that the solution of modern economic problems depends on close co-operation. My country has, from the outset, given its support to the European cause and has co-operated actively whenever and wherever there was a possibility of doing so. Measured against the difficulty of the task to be solved, the great expectations placed in economic integration have, to a considerable extent, been satisfied. Within the framework of both

- 2 -

European economic groupings, the dismantling of trade barriers had a salutary effect and was a major contributing factor to greater prosperity, at the same time promoting the adaptation to modern market conditions of production and trade structures - and parallel with it the international division of work. The European Economic Community has, moreover, succeeded in taking a significant first step on the road to European unification by means of joint action with regard to important aspects of economic life. European integration has thus reached a degree of cohesion which should permit its geographic extension and an appropriate participation of neutral countries in the work of the Communities in the economic field. The Swiss Government welcomes this development all the more as the objective of the European Communities to give full scope to the creative forces of our Continent, to promote the welfare of its peoples, to create an economic climate favourable to free trade and less subject to disruptions, to overcome economic and social growth problems resulting from the impetuous development of science and technology - are priorities largely consistent with those considered essential by us. Through a strengthening of the economic position of Europe, the Communities also wish to be better equipped to do justice to the world-wide commitments of Europe and to consolidate partnership with the developing countries. In these fields too - and I might mention others - there is far-reaching agreement between us as to our mutual objectives and interests. For these reasons a close co-operation seems to be required. Its substance, form and modalities remain to be defined.

- 3 -

On the occasion of the Hague Summit Conference of early December 1969, the heads of State or government of the member countries of the European Communities emphatically reaffirmed their faith in the political objectives of the Communities and stressed the point that the enlargement of the Communities would help to widen them to dimensions more and more commensurate with the present standard of economy and technology. But they have recognized at the same time that apart from accession in the terms of the Rome Treaty, the establishment of special relations with other European countries - having expressed a wish to this effect - would be a further contribution to this end. It was, however, stipulated that candidates for membership should accept the treaties and their political objectives, the ensuing legislation, and the options made for additional fields of co-operation.

Switzerland with its policy of permanent neutrality takes note, with satisfaction, of this fundamental readiness to establish special links. We have always been conscious of the fact that the European Communities represent a new type of organization meant to lead to progressive political unification. This objective, repeatedly stated, finds expression, on the one hand, in the endeavours of the Communities to take a joint stand when dealing with third countries - the conduct of a common trade policy may serve as an example - on the other hand it determines the choice of subject-matters and methods for joint activity within. In each field - from the agricultural policy of the sixties to the new plans aiming at establishing an economic and

- 4 -

monetary union in the course of this new decade - rights of national sovereignty on central issues of economic policy are to be transferred to Community institutions which have to carry out their activities according to a European point of view.

A permanently neutral country wishing to establish close links with the European Communities has to take these facts into account when considering the possible variants to achieve this. The policy of permanent armed neutrality of Switzerland has become, as is well known, an institution of international law such as expressly stated by the International Law Commission of the United Nations. The Paris Acts of 20 November 1815 solemnly declare that Swiss neutrality lies in the true interest of all European nations. Article 435 of the Treaty of Versailles and the London Declaration of the Council of the League of Nations of 13 February 1920 acknowledge that Swiss neutrality constitutes an international obligation for the maintenance of peace.

The policy of neutrality, based on the will of the Swiss people, represents also in the contemporary world an element of understanding and of détente; it has grown from a merely European concept to worldwide significance and embodies a policy of peace in the proper sense of the term. Because it is definitely foreseeable, it constitutes an element of stability in world politics; any restriction would create a new factor of uncertainty. The maintenance of international credibility of the Swiss policy of neutrality sets limits to restrictions in national sovereign rights. The confidence of the world in Switzerland's ability to safeguard its neutrality has to be preserved.

- 5 -

These considerations have to be weighed against the European Communities' political aims. In our days, however, these aims are seen not least in terms of promoting international détente and better understanding between the nations of the whole Continent of Europe. It is precisely in this context that Switzerland believes to be best suited as a permanently neutral country to make its own contribution. Any impression that Switzerland might deviate from its policy of neutrality would directly run counter to endeavours at détente. Both elements may, however, be reconciled: the forging of close links between Switzerland and the European Communities shall and will not render more difficult in any way the pursuance of the Communities' ulterior aims while permitting Switzerland to continue its policy of neutrality.

These considerations lead us to the conclusion that the establishment of special links - in the terms of the Hague Communiqué - to work out the relationship between Switzerland and the European Communities will be most beneficial to economic co-operation. With a view to our common aims and interests, but also mindful of the multiplicity of the spiritual, cultural and economic exchanges and of our immediate vicinity, we ought to strive for the most comprehensive solution possible. The rich variety of ties I have just alluded to between Switzerland and the countries of the European Communities shows that, in any case, new foundations will have to be laid to replace the existing bilateral agreements with the member countries of the Community which - with progressive integration - have become obsolete or devoid of substance. I shall subsequently

- 6 -

specify in detail some problems which can only be solved within a broad regional context to illustrate that joint endeavours are indispensable.

A solution of this kind is also called for in the interest of our specifically Swiss variety of direct democracy and of the country's federal constitution. Our political structure warrants the inner cohesion of the nation which is made up of different linguistic and denominational groups. Institutions such as the right of initiative and of referendum enable the individual citizen to take a personal part in fundamental political decisions. All these elements constitute the foundation upon which the whole structure of the nation rests, they are its very essence, deeply rooted in the thinking and feeling of our people, and provide the firm basis for the international activities of Switzerland. Deeply engrained traits such as these are not adversely affecting the Communities' aims and endeavours. We are jointly committed to democratic and liberal constitutional principles.

The Swiss Government knows - and I think you share our view - that with an arrangement of this kind, suitable for a highly industrial neutral country, new ground has to be broken. For this reason we are of the opinion that it is indispensable to hold preliminary exploratory talks to clarify ideas and concepts as to the substance and the relevant modalities of such an arrangement by joint endeavour and sympathetic understanding of mutual requirements. The Swiss Government has repeatedly declared - and I wish to reiterate this statement here and now - that we embark upon these talks without preconceived notions and do

- 7 -

not consider it ~~opportune to limit~~ too much from the start the range of possible solutions as to the ~~participation of Switzerland~~ in European integration.

It would therefore not be in the spirit of these exploratory talks if I tried, at this juncture, to go into any details of the substance of the arrangements to be worked out between us. I give you every assurance, however, that the Swiss Government is prepared to make the contribution which is expected of it to the joint preparatory work.

Our Delegation endeavours to formulate our thoughts and to define them precisely in the course of our exploratory talks. If I now put before you some general ideas on the subject matters involved, it is not to anticipate the work to be done, but to facilitate and expedite its start. To conclude I shall try to outline our conception of the procedure to be adopted and of the objectives to be borne in mind once the talks are in progress.

The high degree of economic interpenetration between Switzerland and the European Communities is at its most evident in the field of trade, where about 75 per cent of Swiss imports would stem from an enlarged Community and almost 60 per cent of Swiss exports would go to the countries it comprises. The obvious interest of Switzerland to take part in a large European market might be matched by a like interest on the part of the Community to have, within its orbit, the Swiss market which, though small, has great capacities of absorption.

- 8 -

Switzerland ranks ~~already~~ second among the customers of the European Communities with its import surplus of almost 1500 million Dollars, a figure unsurpassed by any other third country. In our opinion it would therefore suggest itself to give as liberal as possible a structure to these extensive trade relations which get additional impetus from the close vicinity between us.

We attach great importance to a settlement in conformity with Article XXIV of GATT, i.e. a dismantling of substantially all the barriers to trade. This would also be an appropriate way of accommodating the interests of third countries and of taking into account the development of world trade.

Within the framework of an overall settlement, Switzerland would welcome a plan for the quick abolition of trade barriers and - to intensify the economic effects - for substantial tariff cuts.

I hardly need emphasize that foreign trade largely contributes to the Swiss national income; the share of exports in the gross national product is, in Switzerland, one of the highest of all countries. Although Swiss foreign trade is now rather Europe-oriented, our other markets which absorb, after all, forty per cent of Swiss exports, are of considerable importance. The high degree of dependence of Swiss economic development on foreign trade and the large area covered by it make Switzerland into a real world trading nation which - in terms of foreign trade - holds the twelfth rank in the family of nations.



- 9 -

To preserve visible independence in the shaping of its foreign trade relations, indispensable for the conduct of its policy of neutrality, Switzerland starts from the idea that it should negotiate and conclude tariff and trade agreements with third countries on its own and to appear, in its own name, in international economic organizations.

We are, however, conscious of the fact that with the introduction of the free movement of goods, care has to be taken to avoid deflections of trade and distorted competition, which might arise from an independent trade policy vis-à-vis third countries. We welcome a joint examination of possible solutions to any problems that might develop in this context. On the basis of our experiences and investigations we have come to the conclusion that - under given circumstances - these dangers should not be overrated. We are convinced that it is possible to make mutually satisfactory arrangements, easily implementable in terms of administration.

We are aware that with the introduction of the free movement of goods the Communities intend to eliminate other possibilities of distortions in competition, specifically cartels and similar agreements, State trading monopolies and public undertakings, subsidies and other provisions of this kind. In our view, too, the abolition of trade barriers is a means of stimulating competition and we are therefore convinced that it is possible to find an adequate contractual solution for the economically relevant issues involved.

- 10 -

As to agriculture, our talks should lead to an arrangement based on a well-balanced overall-solution on the principle of reciprocity and safeguarding the maintenance of a thriving farming community.

Swiss agricultural policies pursue, basically, the same objectives as those stipulated for the European Economic Communities in the Treaty of Rome, but the practical application in Switzerland has led to a much higher price level in the domestic agricultural production in comparison with E.E.C. This is due to topographical features which determine production and cost factors in our country and above all to the fact that agriculture - according to the principle of income parity - is entitled to an income comparable to that of other economic sectors. The introduction of prices now prevailing within E.E.C. on the basis of the agricultural agreements to Swiss conditions would reduce by an average of fifty per cent the net income of our farmers and thus - quite apart from the grave consequences to the farming community - lower the national level of nutritional self-sufficiency. At less than 60 per cent, this level has already dropped to the acceptable limit for a neutral State and, besides, leaves an exceptionally wide margin for imports. Almost half of Swiss agricultural imports stem from the E.E.C. In this respect and per head of the population Switzerland holds the highest quota of all 3rd countries. Finally, we have to bear in mind the important part played by Swiss agriculture in the regional policy of the country - especially in mountain areas where depopulation has to be prevented.

- 11 -

All these points have to be taken into account when agricultural problems are discussed without, as stressed before, jeopardizing in any way the possibility of reaching mutually advantageous arrangements, capable of further development.

Economic interpenetration between Switzerland and the European Communities is not limited to trade relations, but covers every important aspect of the economic scene. In many respects it is even closer than among the Community Member States themselves, as is abundantly evident in trade with agricultural products, in the service sector, and in the exceptionally large number of foreign workers. I may also mention the fruitful co-operation between Switzerland and its European partners in the field of monetary policy, although it hardly catches the public eye, and the importance of easy access to the Swiss capital market for European industry. Interdependence in a wide variety of fields has created bonds between Switzerland and the member countries of the European Communities. It is a natural consequence of Switzerland's central geographic position and is in keeping with the prevalent tendency of achieving a meaningful division of work in the European economy.

Switzerland being ready now and in the years to come to make a contribution befitting a highly industrial country towards the further promotion of the European economy and to meet the ensuing obligations, we would welcome to examine with you, in the course of these exploratory talks, how relations existing at present between Switzerland and the three European Communities might be extended beyond the field of trade in the light of the objectives of integration policy.

Among the possible topics may be selected inter alia:

- the service sector
- questions of establishment
- technical barriers to trade
- drug legislation
- insurance

The co-operation of Switzerland in drafting a European Patent Convention is a good example to manifest our interest in a joint endeavour at establishing a European legal order.

With a view to the position of Switzerland in the heart of Europe, transport policy deserves special mention.

As to the free movement of workers, you are no doubt aware of the fact that in Switzerland the percentage of foreign labour in relation to the total population is several times higher than the E.E.C. average. A number of grave economic and social problems have arisen on account of this which have to be taken into consideration. We welcome an exchange of ideas with you in this respect and a joint investigation of policy.

I have not yet mentioned the new spheres of integration which have been in the forefront of your efforts since the customs union was achieved and the transitional period concluded. These undertakings, often rightly called "second generation projects", are, in our view, just as important for the future development of the European economy

- 13 -

as the work so far accomplished, all the more so as they are directly linked with the central issues of our economy. Your work in the fields of industrial policy, research, energy and regional policy, and above all the proposed gradual establishment of an economic and monetary union are, of course, arousing keen interest in Switzerland.

The fight against inflation and the creation of more stable monetary conditions are tasks which can only be partly solved within the national context; these are indeed common concerns. Switzerland therefore assumes that it should examine, jointly with the European Communities, which form of co-operation in the economic and monetary fields would appear desirable and indeed possible with regard to the degree of integration realistically to be expected. The same applies to the concept of free capital movement.

Moreover, it must be recalled that Switzerland is already actively participating in joint efforts of the European Communities and interested third countries with a view to achieving co-operation on a European range in the fields of technology and research. This kind of co-operation would benefit from further extension and intensification.

As to industrial policy, Switzerland is also interested in the creation of favourable general conditions for the adaptation of enterprise structures to the new market dimensions.

- 14 -

Let me also remind you that, in the watch sector, the agreement concluded in the course of the Kennedy Round between Switzerland and the European Economic Community has, for over three years, promoted active co-operation and a search for mutually satisfactory industrial solutions.

It will eventually be necessary not only to explore the form and the content of the co-operation to be achieved between us, but also the procedure to be followed to that end. It is not possible to develop in advance detailed concepts on institutional rules of procedure as these will of necessity be a mirror reflection of the specific content of the arrangements under negotiation.

We acknowledge that co-operation with Switzerland is not to affect adversely the special decision-making mechanisms of the enlarged Communities. On the other hand, Switzerland expects to participate actively in keeping with the obligations which our country will have to assume. Experience has taught us that there are many modalities of co-operation to this effect.

What we are striving after are institutional mechanisms, efficient and easy to apply, which guarantee the smooth working of the provisions made, while permitting quick solutions in case difficulties should occur, and providing for periodical reviews of the state of co-operation, maybe with a view to a possible extension. Switzerland, let me be explicit on this point, wishes to conclude an arrangement which can be developed as is called for by the dynamism of modern economy.

- 15 -

It will therefore be our task not only to provide a suitable institutional frame within which the mutual obligations to be agreed upon in the forthcoming negotiations are to be fulfilled and supervised, but also to make provisions for exchanges of views and consultations in spheres of mutual interest, even if the need for a contractual basis may not or not yet be felt right now.

We are convinced that such mechanisms, which would facilitate co-operation and consultation, should prove useful to both sides. They would constitute the basis for deeper mutual understanding and take us a step nearer to the common goal.

These are but a few suggestions as to points which - in our view - ought to be considered, in an appropriate form, when working out an arrangement with the European Communities and when adopting the procedure to be followed to this end. As stated in the introductory passages, to hammer out an arrangement of this kind represents a task for which there exists no prototype to draw inspiration from. This is why I wish to conclude my exposition with a procedural proposal which, as I may presume, is likely to meet with your own concepts in this matter.

The Swiss Government asks for the opening of exploratory talks. The objective of these talks would be a thorough investigation as to the mutual interest in close co-operation on specific issues and as to considerations of principle to be observed in the process. An exact knowledge of the working methods of the Communities on the one

- 16 -

hand and of Swiss conditions on the other is the first prerequisite when selecting a suitable basis for negotiation. Starting from an inventory of to-day's multiple ties between Switzerland and the European Communities, it should be possible to assess what course could best be taken to strengthen these ties and to determine the extent of a possible participation of Switzerland in the future development of integration.

We propose that these talks start immediately and that a date be fixed for a first contact between the two delegations. There is a certain urgency in two respects: first, our talks are connected with parallel negotiations on the enlargement of the Communities, and it is important not to fall behind the general time schedule; second, the Swiss Government is bound under the terms of the Constitution to inform Parliament and the nation in extenso prior to opening formal negotiations with the European Communities. An ensuing parliamentary and public debate is to be expected and should not be curtailed for pressure of time. May I particularly call to mind that a substantial arrangement such as we are trying to achieve will have to be submitted to public referendum after its conclusion. In this respect Switzerland is no doubt in a unique position. It will, however, only be possible to explain an issue of such complexity and wide range in a meaningful way once concrete solutions are more easily discernible on the basis of our exploratory talks.

As a fruit of these talks, the negotiations proper should require less time. We fully share, in any case, your point of view that tariff cuts between the Communities on the one hand, and the



- 17 -

new members as well as those countries which, like Switzerland, seek a special relationship with the enlarged Communities on the other, should take effect simultaneously. This is called for already in the interest of an undisturbed transfer to a wider area of the free trade already achieved and practised within EFTA.

Let me put on record, in conclusion, that the establishment of special relations with the European Communities is, for Switzerland, not merely an end in itself. My country understands that it is in the interest of Europe to close ranks and thus to achieve greater economic power and a consolidation of the whole Continent. Switzerland's wish to participate in this great endeavour is rooted in its consciousness of being an integral part of Europe, and in its willingness to contribute its share towards the accomplishment of these common tasks.

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