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insured married man, the wife's written consent is essential. The official resignation from can be obtained from Swiss representations.

The effect of resignation (the same

applies to exclusion) is that the Swiss abroad cannot claim the right to AI payments from contributions paid into the voluntary insurance scheme. On the other hand, the right to AVS pensions is guaran-

teed, since this derives from the contributions.

**Federal Political Department in collaboration with the Federal Office of Social Insurances.**

# SWITZERLAND AND THE COMMON MARKET

On 22nd July, 1972 Switzerland signed an agreement in Brussels with the European Economic Community (EEC) which provides, in particular, for the progressive abolition of customs duties on all industrial products. Recently, Mr. Ernst Brugger, Head of the Federal Department of Public Economy, kindly answered our questions about that agreement.

*Federal Councillor, could you tell us Switzerland's reasons for moving closer to the Common Market?*

The EEC is our most important trading partner. Already nearly 60% of our imports come from that group of countries, which in turn absorbs 38% of our exports. Since the creation of the Common Market Switzerland's aim has been to establish links with that economic organisation. However, as she was very anxious that such links should not affect her neutrality, her constitutional system or her right to determine her own relations with the rest of the world, she deliberately renounced the possibility of membership. For her part, the agreement to be concluded was intended principally to lead to the elimination of customs barriers or, in other words, to the establishment of a large free market in Western Europe. The creation of EFTA had already constituted a first step in that direction. For a long time, however, it was not possible to achieve a rapprochement between the EEC and EFTA, two free trade bodies which were nevertheless so close to each other. We had to wait for the Hague summit conference, in December 1969, to see the outlining of an overall solution comprising three elements: the entry into the EEC of some members of EFTA, the conclusion of free trade agreements between the Common Market and the other EFTA countries and, finally, the maintenance of free trade between the members of EFTA remaining faithful to that organisation. This was the basis on which a large free market embracing 300 million inhabitants was created in Western Europe.

*The negotiations took place in several phases: could you remind us of the principal stages?*

After the summit conference at The Hague, negotiations with the applicants for membership began. The first talks with those members of EFTA which did not wish or were not able to join the EEC, for



*Federal Councillor Brugger*

political or economic reasons, took place shortly afterwards. Switzerland submitted her concept to the EEC ministers on 10th November, 1970. In its opening statement the Federal Council accepted the Common Market's invitation to draw up an agreement enabling Switzerland to maintain with the countries entering the EEC the free trade achieved within the framework of EFTA and to extend it to the other members of the EEC.

The exploratory talks took place in the winter of 1970/71. They confirmed the impression that the agreement being sought by both Switzerland and the EEC could most satisfactorily be realised in the form of a free trade area.

The negotiations themselves began in December 1971 and ended with the signing of the agreement in Brussels on 22nd July, 1972.

*What are the principal features of the new agreement?*

In the first place, I should mention the *abolition of customs duties* on imports of industrial products exchanged between Switzerland and the EEC; this will be carried out in five stages of 20% each between 1st April, 1973 and 1st July, 1977. More than 90% of our exports to the enlarged Common Market and of our imports from it will thus be exempted from customs duties. It was also necessary to introduce *rules of origin* in order to

determine what products would enjoy the customs reductions. The latter will apply only to those products which have undergone in the EEC, in Switzerland or in another EFTA country a process of transformation regarded as sufficiently important.

Provisions relating to *competition* state that no practice, private or public, which distorts the free play of competition must affect the Swiss-EEC trade covered by the agreement. *Safeguard clauses* authorise the Contracting Parties to reintroduce customs barriers temporarily, after consultations, if certain difficulties specified in the agreement should arise.

Free trade in *agricultural products* is not provided for by the agreement, but both Parties, undertaking expressly to respect the agricultural policy of their partners, pledged themselves to foster the harmonious development of trade in those products.

For both parties, the *evolutionary clause* leaves the door open for a subsequent development of their relationship. The conclusion of new arrangements will, of course, only be possible after new negotiations.

The agreement also contains a *denunciation clause*; it will therefore be possible to withdraw from it by giving twelve months' notice.

*Will Swiss farmers derive some advantages from the agreement?*

As I said just now, it will not contain agricultural clauses. Consequently our policy of supporting agriculture will not be modified in any way; this applies to prices or internal structures in that branch of our economy as well as to our present regulations on the importation of agricultural products. Our farmers will, however, derive certain advantages from the customs reductions, particularly when acquiring agricultural machinery or fertilisers. It should also be remembered that our agricultural policy is relatively costly and that our agriculture will therefore continue to thrive only if the economy as a whole does well.

*Was the problem of foreign workers in Switzerland discussed in Brussels?*

The agreement contains no provisions which could affect the policy we have adopted with regard to the labour market, and it allows us, in particular, to pursue our efforts to stabilise the total

number of foreign workers in Switzerland. From the beginning of our negotiations in Brussels we maintained that the outstanding problems connected with foreign workers should be settled at a bilateral level between Switzerland and Italy. The EEC fully concurred with this point of view, but that did not prevent us from regularly informing our negotiating partners of the state of our discussions with that country.

We finally reached an agreement and a protocol of negotiations was signed in Rome on 22nd June, 1972. Taking as its starting point the necessity, also recognised by Italy, of continuing our policy of stabilisation, it fixes the time-limits and the details of certain improvements in the living and working conditions of Italian nationals in our country, particularly with regard to the question of their families coming to Switzerland and the enjoyment by "false" seasonal workers of the status of all-the-year-round workers.

*What was the content of the declaration relating to foreign workers which caused a stir in a section of the Swiss press?*

By this joint declaration on the occasion of the signing of the free trade agreement, the Parties noted with satisfaction the result of the discussions between Switzerland and Italy. Our policy of stabilisation is, moreover, expressly recognised by the EEC.

*Will the status of our compatriots who work in a Common Market country be improved as a result of the agreement concluded on 22nd July, 1972?*

The declaration which I have just mentioned does not refer only to the position in Switzerland of workers from the EEC but also to that of our compatriots living in member countries of that economic organisation. Taking into account the considerable number of Swiss working temporarily or permanently in one or other of those countries, it does indeed seem advisable that, in the future too, we should be able to examine their problems within this framework whenever it appears to be necessary.

*What will be the effects of the new agreement on the Swiss consumer?*

Nearly 85% of Swiss imports of consumer goods come from the enlarged Common Market. It is still difficult to foresee to what extent the lowering of customs barriers will directly affect prices in our country. In general, our customs duties are already quite low. We ought therefore to guard against over-optimism, for an annual reduction of between 1 and 2% in customs protection could hardly affect prices perceptibly, subject as they are to the severe inflationary pressure being experienced by Europe today.

But we can hope that the consumer will notice some positive effects in certain important sectors, particularly in clothing and furnishing, which are still subject to relatively high customs duties. We also expect some indirect results. Thus the strengthening of competition ought also to benefit the consumer. What appears to be decisive in the longer term, however, is

### **What are the possible types of relationship with the European Economic Community (EEC)?**

*Membership:* A country wishing to join the Common Market today must declare its readiness to assume all the obligations laid down by the Treaty of Rome, including its political objectives, and accept all the decisions adopted so far, as well as such future plans as have already been decided upon. It should be remembered that the EEC has, in particular, established a customs union (which involves a common external tariff) and that its subsequent aim is to form an economic union (with a common economic policy) and a monetary union (with a single currency).

A country which joins the EEC is fully represented in its various organs: the Council, the Commission, the Parliament and the Court of Justice.

*Association:* The associate state is not a full member of the EEC and therefore takes only a limited part in the decision-making process within the Community. In certain spheres, however, it must bring its legislation into line with that of the Common Market.

*The free trade agreement:* This involves the reciprocal abolition of customs barriers with the EEC. The partners retain full freedom with regard to third countries, in both the commercial and the customs fields. Moreover, the free trade agreement does not involve any political consequences.

*The commercial agreement:* A simple commercial agreement does not entail the general abolition of customs duties. Rather, it leads to tariff reductions bearing on some specified products, which reductions must be extended to all the other countries by virtue of the most-favoured-nation clause.

that the consolidation of our economic prosperity, to which the agreement must contribute, will increase consumer purchasing power.

*Does the agreement provide for collaboration between Switzerland and the EEC in the technological field? and in the monetary field?*

The free trade agreement does not provide for collaboration between Switzerland and the Common Market in those two spheres, but the EEC and our country already co-operate in the technological sector on the basis of other arrangements. Moreover, the monetary authorities are, of course, also in contact. In the future these various forms of collaboration will certainly be intensified.

*Does this agreement constitute a final point in our negotiations with the Common Market or, on the contrary, a first step?*

The agreement establishes a lasting bond between Switzerland and the European market. However, our country will have periodically to re-examine all her relationships with the EEC. Closer collaboration in fields which are not covered by the free trade agreement must not be excluded. Our relations are, in fact, extremely diverse. It must be stressed, however, that, whatever their importance, any new arrangements will always have to respect the main principles of our foreign policy.

*Does the agreement provide for certain transfers of competences to organs of the EEC?*

No, Switzerland is not transferring any competence to the various organs of the EEC. As to the Joint Committee for which the agreement provides, it can take decisions only by mutual agreement. Its main purpose will be to serve as a forum

for the discussions and the contacts made necessary by the agreement.

*Does the agreement contain provisions which would ultimately facilitate Switzerland's possible political integration into Europe?*

No. The agreement concerns the exchange of goods. Even the other spheres in which closer co-operation might one day be shown to be necessary are mainly economic in character: transport, protection of the environment, technology, monetary questions. As to collaboration in the political field, that would be contrary to our policy of neutrality.

*Do you consider that the results obtained are satisfactory for Switzerland?*

The Brussels agreement can be regarded as very satisfactory. It enables our country to avoid commercial isolation while completely preserving her political freedom. In a sense we were even fortunate to be able to conclude an agreement with such a content.

*The new free trade agreement will certainly entail a further increase in the volume of our trade with the Common Market countries. Our policy of neutrality, however, recommends us to diversify our trade; how do you envisage a reconciliation between these two divergent trends?*

The purpose of the agreement is not to increase Western Europe's share in our external trade, but rather to establish comparable and fair conditions of competition. Switzerland attaches great importance to the universality of her external relations, in the economic as well as the political sphere. We shall therefore continue our efforts to achieve further advances in the liberalisation of trade on a world scale. New negotiations in this direction are already on the horizon.

*What will happen to EFTA after the departure of those countries which have joined the EEC?*

The entry to the EEC of some member states of EFTA will not mean the end of free trade in industrial products between the countries which belong to the Association. The customs franchise which has been established will be maintained on the basis of the EFTA Convention.

*Can we expect a rapprochement of EFTA towards other European states (Spain, Yugoslavia, etc.) which are not yet members of any economic grouping?*

EFTA will retain its open character vis-a-vis the outside world and a rapprochement towards other European countries is therefore not excluded.

*The agreement concluded on 22nd July, 1972 will probably be submitted to the people and to the cantons; according to eminent jurists, the Federal Constitution does not provide for consultation of this kind and we would be having a sort of plebiscite; what were the Federal Council's reasons for proposing such a vote when it refrained from holding one at the time of Switzerland's joining EFTA?*

It is true that the Constitution does not provide for agreements of this kind to be submitted to a referendum, but nor does it exclude the possibility. Large sections of the population have for some time felt that the citizens ought to be given an opportunity to express an opinion on the agreement which will regulate our relations with the EEC. The text which we signed would create precisely that lasting tie which Switzerland has for years wished to establish. Our economy would undoubtedly be placed in a new situation. Finally, the vote would give our young fellow citizens an excellent chance—and these are rather rare—to familiarise themselves with the problems of foreign policy.

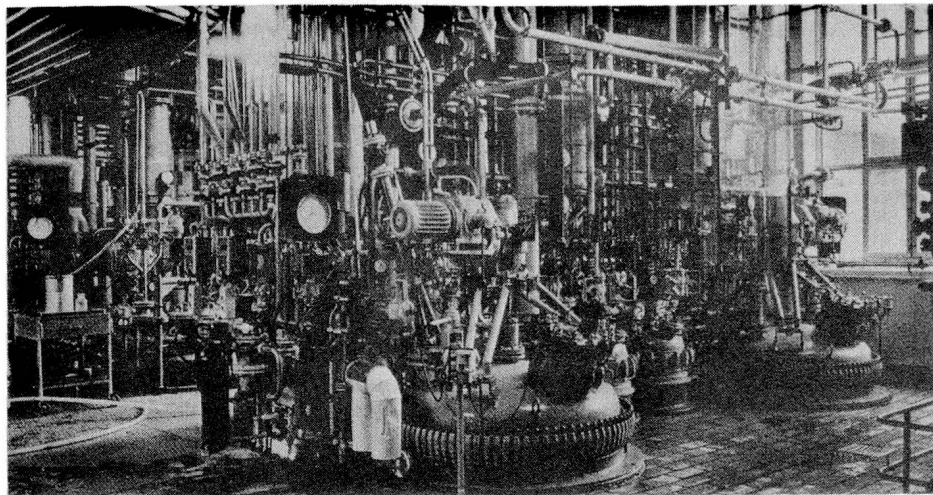
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As the Federal Councillor pointed out at the end of his statement, the agreement could be put to the people in a referendum. This was done, and the Swiss electorate accepted it on 2nd and 3rd December, 1972 with a majority of 1,345,057 against 509,350 votes. This meant acceptance by 72.5% and rejection by 27.5% of the voters. Voting participation was 51.2%. All the Cantons accepted. The smallest number of votes against was cast in Neuchâtel with 18.6%; the highest in Schwyz with 43%; In the Cantons of Geneva, Berne, Aargau, Lucerne, Nid- and Obwalden, Uri, Schwyz and Appenzell Inner-Rhoden and Ausser-Rhoden the votes against the agreement were over 30%. The highest participation was registered in Schaffhausen with 79.7%, the lowest in Fribourg with 39.5%.

On 3rd December, Federal Councillor Brugger stated to the Press that the citizens had found their way remarkably well in the complex network of a new kind of subject matter. The people's

acceptance, however, was not yet a yes to a future European policy still to be defined. The decision referred exclusively to the proposed agreement. Nevertheless, impressive acceptance would form a good basis for future co-operation with the Common Market. Mr. Brugger stressed that the agreement was the expression of a policy followed by Switzerland for decades. In this connection, he mentioned the services rendered by the former Federal Councillor Schaffner.

*Swiss chemical industry—ready to face the cold wind of European competition*



Mr. Brugger also addressed the opponents of the agreement, and he said he believed that the Swiss policy of neutrality would keep its importance. Also as far as the economy was concerned, the Federal Councillor was sure the agreement would be no impediment, for instance in the fight against inflation. The agreement would not serve any short-term expansion, but a long-term assurance of Switzerland's ability to compete on the international markets.



*Mr. Ernst Brugger (centre), Head of the Federal Department of Public Economy, passes treaty to Ambassador Paul R. Jolles, Director of the Federal Division for Commerce, for his signature during the signing of the treaty between the Common Market and non-candidate EFTA countries. On the right is Ambassador Paul H. Wurth, Head of the Swiss Mission to the European Communities.*