Swiss suspicious of Maastricht Treaty

This article is excerpted from Swiss Economic Viewpoint, *the newsletter of the Overland Bank Group, dated October 1992. On Sept. 20, French voters passed a referendum approving the Maastricht Treaty by a margin so narrow that most observers considered the plan doomed in its present form. On Nov. 4, British Prime Minister John Major survived a vote in Parliament on Maastricht, to which he has strongly committed his government despite widespread dissent including from within his own Conservative Party, again by the thinnest of margins. The Maastricht Treaty would replace the previous pact which joined the European Community of 12 nations in a common market, with a "single market" concept.* EIR *does not endorse the views expressed here, but reprints them as an example of growing resistance against Maastricht.*

The decision of the Danish people to reject the Maastricht Treaty has made the European integration process a central point of discussions. This treaty calls for a single European army, foreign policy, currency, tax policy—in effect, a single European state. In the process, the worry is that all of what makes each country special, Switzerland in particular, will be lost.

The intricacies of this process are so complicated that prediction is practically impossible. In growing numbers, the Europeans are voicing their concerns. They are opposing the stand taken by their governments, as the Danish people rejected the prior approval of their government in June and dealt the Maastricht Treaty its first defeat. It will likely not be the last. In short, we hope to make it clear that the voters of the various countries are not going to jettison their nationality, institutions, and independence to become part of a bland and bureaucratic European superstate.

Of special interest to us and our clients are the effects a Swiss entry into the European Community might have. The Swiss government decided earlier this year to seek entry into the European Community. However, deciding to seek entry is not the same as joining. First, the EC will issue an opinion on whether and how much the Swiss must change their laws and institutions in order to join. As we'll see, the EC may want Switzerland to pledge change in many ways that even the Swiss government may not like. . . .

The coming Swiss referendum

The Swiss face a referendum on Dec. 6, 1992. However, it will not be on whether Switzerland should join the EC, but rather whether it should join something called the European Economic Area (EEA).

There have long been two free-trade groups in Europe. The 12-member European Community is the most famous, the so-called Common Market. But there has long been another common market in Europe, European Free Trade Association (EFTA). Its members are Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland. Unlike the EC, the EFTA never envisioned political unity as one of its goals. It was strictly and specifically a free-trade association.

In 1991, officials from these two groups agreed to a type of merger, the EEA. This merger would not involve political or currency union, being confined to removing all economic restrictions between the two groups. Products, services, labor, and capital would be able to flow with complete freedom from one European country to another. The merger is set to begin on Jan. 1, 1993. This is the subject of the Swiss referendum on Dec. 6.

Many, and probably most, Swiss are against this idea of linkage. . . .

If the Swiss vote yes on Dec. 6 and join the EEA, it will mean the unrestricted movement of labor, as well as goods. Anyone in western Europe would be able to work and live in Switzerland which already has far more foreigners per capita than any other European country. A certain fear exists at throwing open the gates to a potential pool of upwards of 200 million people who may be tempted to come to a country where living standards are higher.

On top of this, the unemployment rate in Switzerland is now 3.1%. This may seem quite low—after all, Italy, Spain, Portugal, France, and Greece all have jobless rates in the double digits. All the more reason for these foreigners to want to come, many Swiss would say.

But a 3.1% jobless rate is *extremely* high for Switzerland. In a nation where for years unemployment was a fraction of one percent, and just a year ago was 1.3%—considered at that time too high—such a rate frightens many. . . .

Opposition from farmers, bankers

Aside from the general worries about unemployment, strong negative sentiments are voiced within the organized and politically powerful Swiss farming sector. As in most nations, Swiss farmers are protected and subsidized, for reasons deeply rooted in Swiss history and culture. The nation is profoundly aware that in recent history it was surrounded by potential enemies. The Swiss had to depend on homegrown food, knowing that food imports could have been cut off at any time.

For the same reasons that Switzerland has enough beds and fallout shelters to protect each and every citizen, so too does the nation want to be certain that there will always be a good supply of home-grown food. . . .

Another powerful group would stand to lose from Switzerland's entry into a fully united Europe: the banking industry.

The banks' primary concern is not the secrecy aspect. For instance, we look at EC founder Luxembourg, which has good banking confidentiality laws, and believe fears of secrecy eroding in Switzerland are probably exaggerated. But full EC integration implies a single currency. The Swiss franc has a proud tradition: No other currency in the world has so consistently kept its value over the decades. For this alone, many and probably most Swiss would be loathe to give it up in favor of a new, cobbled-together ECU.

But even this is not the primary objection voiced by bankers. A sizable portion of profits comes from foreign exchange conversion. . . . If all these currencies were replaced by a single ECU, foreign exchange departments would become obsolete. Of course, ECU/dollar and ECU/yen transactions would still occur, but their volume would be a far cry from the combinations available today.

For these reasons, we have doubts that Switzerland will join the EC in the near future. The power of these two sectors of the economy cannot be underestimated. . . .

The [Maastricht Treaty] document envisions a Europe where most national characteristics and institutions are superseded by a vague supra-national bureaucracy. We believe that the more each member nation discovers this, the more unpopular the Maastricht Treasty will be. The Danes have already discovered it; the Swedes, as we'll see, are learning; the Swiss will not be far behind. Whether the Maastricht Treaty goes against human nature—against the fundamental craving to preserve one's individuality—is debatable. But it certainly goes against the *Zeitgeist*. The spirit that appears to characterize these times is, like it or not, nationalism.

Nationalism can take both good and bad forms. The call emanating from Belgrade for ethnic cleansing in the name of a "Greater Serbia" is a stark and bloody example of the latter form. But there is nothing at all wrong with the peaceful Danes deciding that joining a united Europe could cause them to lose control of their own foreign policy. . . .

Collapse by December

By December, the whole idea of a single political and currency unit in Europe may have collapsed. The people of the EC may reject this collectivist idea and simply make, as Margaret Thatcher apparently wants, a loose European confederation. . . . Switzerland would be happy to be part of this type of order—provided it was not obliged to change any of the institutions that have served it so well for centuries.