

MS

VISIT TO SWITZERLAND: 12 - 25 AUGUST

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Foreign and Commonwealth Office

London SW1A 2AH

4 August 1983

*Dear Tim,*

Visit by the Prime Minister to Switzerland

Thank you for your letter of 26 July about the Prime Minister's forthcoming holiday in Switzerland.

/ I enclose, as requested, a background political and  
/ economic brief on Switzerland, and a separate background  
brief on Liechtenstein. I also enclose short biographical  
notes on leading members of the Liechtenstein Royal  
Family, including a more comprehensive note on Crown  
Prince Hans Adam, and on Dr Fritz Leutwiler.

The Ambassador at Berne will be at the airport to meet the Prime Minister on arrival, but knows that the visit is otherwise purely a private one.

*Yours ever*

*J E Holmes*

(J E Holmes)  
Private Secretary

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## VISIT BY THE PRIME MINISTER TO SWITZERLAND

Switzerland: Background Political and Economic Brief

1. Switzerland has had a wide-based coalition government for many years, its current members, following elections in 1979, being the Social Democrats, Radicals, Christian Democrats and the Centre Democrats Union (Agrarians). The seven members of the Cabinet (Federal Council) represent a broad spectrum of political opinion and a balance between the major cantons and the three main language communities. The post of President rotates annually within the Cabinet. The President for 1983 is M. Pierre Aubert, who is also Switzerland's Foreign Minister. M. Aubert, in his capacity as President, plays a largely ceremonial rôle.
2. Switzerland is politically stable. Federal elections are due to take place in November 1983. A number of cantonal elections earlier this year revealed a general swing to the right at the expense of the moderate left, with the Socialist party the biggest losers. The Socialists have suffered both from inter-faction rivalry and from previous policies widely seen as too sympathetic to the Soviet bloc.
3. Swiss GDP fell by 1.3% in 1982, putting an end to a five year phase of expansion. A fall in exports, especially during the third quarter of 1982, was a major factor in the decline in industrial production which reached 5% in manufacturing industry during the year.
4. The annual rate of inflation, which averaged 5.7% in 1982,



fell to 3.3% in May 1983. Unemployment stood at 0.8% (of a working population of some 3 million) in March and April but rose to 0.9% in May. The number of people affected by short-time working diminished by 20% during that period.

5. In 1982 the UK exported goods to Switzerland to the value of £1,196.2 million, a drop of 11.6% in volume and 18% in value terms over 1981. Switzerland dropped from ninth to eleventh in the UK's export league table for the year. There is however considerable movement between the UK and Switzerland of diamonds, precious metals etc, which are not included in these figures. Switzerland has a free trade agreement with the EC, which has worked well since its inception in 1972.

6. Bilateral relations are good. The Queen made a State Visit to Switzerland in May 1980 and in January 1981, the Prince of Wales visited Zurich. There is the possibility of a further visit by him in early 1984, although no firm decision will be made for some time. Lord Belstead visited Switzerland in September 1982 and Lord Cockfield held talks with the Federal Councillor for the Public Economy, M. Kurt Furgler, during a visit to Berne on 30 May 1983. The possibility of inviting M. Aubert to visit London early next year is being considered.

7. The Swiss have been outstandingly helpful over the Falklands. As the nation representing British interests in Buenos Aires, they refrained from public statements favourable to our position (though there was no doubt where Swiss sympathy lay, and they gave us satisfactory assurances on arms supplies). They have been thanked for their help.



8. The Swiss Government is currently considering membership of the UN. Although a member of the UN specialised agencies, she has only observer status at the General Assembly. Subject to parliamentary approval, the issue is likely to be put to a national referendum before the end of 1984.

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LONDON SW1A 2AH

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## VISIT BY THE PRIME MINISTER TO SWITZERLAND

### Background Brief on Liechtenstein

1. The Principality of Liechtenstein, which adjoins Switzerland on the East, is a constitutional and hereditary monarchy resting on a democratic and parliamentary basis. The origins of democracy in Liechtenstein go back to the Consitution of 5 November 1921 which, with slight modifications, is still in force. The governing principle of the Constitution is the 'Liechtensteinisation' of the political, judicial and administrative institutions.
2. The Head of State is Prince Franz Josef II, although on 1 July 1983 it was announced that his heir, Prince Hans Adam, would exercise sovereign power on his father's behalf with effect from Spring 1984. The cabinet announcement of this change made clear, however, that Prince Franz Josef would nevertheless remain Head of State and that he would retain sovereign powers relating to the government of the Princely house.
3. A government comprising a Head of Government, a Deputy Head of Government and three Government Counsellors is elected for four years by the Parliament (Landtag). Since the Second World War, power has been held by a coalition of Progressive Citizens Party and the Fatherland Union. Public office is shared between the parties according to a proportion corresponding with the number of votes obtained at the elections. Legislative power rests with the 15 member Landtag, which is elected for four years at a time by direct universal suffrage and a secret ballot. The vote is confined to male citizens of 20 years and over. On two /occasions



occasions (1971 and 1973) the electorate has rejected in referenda proposals by the Landtag to give the vote to women.

4. The population of Liechtenstein is 24,000. Trade is mainly confined to exchanges of goods with Switzerland, whose currency, postal and customs services operate throughout the Principality.

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## VISIT BY THE PRIME MINISTER TO SWITZERLAND AND LIECHTENSTEIN

Biographical Notes

## FRANZ JOSEF II, HIS SERENE HIGHNESS THE PRINCE OF LIECHTENSTEIN

Born Frauenthal Austria 1906. In 1938 he began his reign as Prince of Liechtenstein, Duke of Treppau and Jagerndorf, Count of Reitberg, and in 1949 married Georgina, Countess Wilczek (Austrian) who takes an active part in the social life of the Principality. They have five children. The eldest, Prince Hans Adam, is the Crown Prince.

Franz Josef II is a popular leader, who has brought stability and prosperity to his country by introducing and developing light industries. He is firmly in control of his Government. The castle of Vaduz contains notable collections of paintings, books and firearms.

A shy man, the Prince makes great efforts to be friendly and sociable. He has close personal relations with the British Royal Family, members of which he has frequently entertained. He speaks little English but is, like his wife, whose English is good, very friendly towards Britain. In 1978 he celebrated the fortieth anniversary of his accession.

## HANS ADAM, HIS SERENE HIGHNESS HEREDITARY PRINCE OF LIECHTENSTEIN

Born 14 February 1945, eldest son of HSH Prince Franz Josef II and HSH Princess Gina. Educated at Primary School in Vaduz, Schotten-Gymnasium, Vienna, and Zuoz in the Grisons. After completing his secondary schooling in 1965, Prince Hans Adam put in a short period of practical training at a bank in London. Apart from his native tongue (German), he speaks English and French. He later studied Political Economy at School of Economics and Social Sciences, St Gallen.

On 30 July 1967 married Countess Marie Aglae Kinski von Wehinitz und Tettau (born in Prague on 14 April 1940). They have the following children:

Prince Alois	-	Born 11 June 1968
Prince Maximilian	-	Born 16 May 1969
Prince Constantin	-	Born 15 March 1972
Princess Tatjana	-	Born 10 April 1973

The Hereditary Prince follows all political, economic and social developments in Liechtenstein. His main interests lie in the economic and financial plans and problems of the state, the communes, the national economy as a whole and foreign policy.

/In



In 1972 the Ruling Prince issued general power of attorney entrusting the Hereditary Prince with management and administration of all the Princely House's property, since when he has run the finances of the House with great success. On 1 July 1983 the Ruling Prince announced the appointment from the Spring of 1984 of Prince Hans Adam as his Deputy, authorised to exercise the sovereign powers.

#### HEINRICH, PRINCE OF LIECHTENSTEIN

Born 1920. In 1945 he was appointed Chargé d'Affaires of the Principality of Liechtenstein in Switzerland (which represents Liechtenstein's diplomatic interests abroad) and divides his time between Berne and the administration of several Liechtenstein business concerns and increasing attendance at conferences on which Liechtenstein sits as a Sovereign State. In 1970 he was promoted to the rank of Ambassador.

He is married to a very pleasant lady, Countess Podstatsky Liechtenstein and has several children. Tall, a younger brother of Franz Josef (qv), he is intelligent, hard working and friendly. Speaks excellent English.

#### BRUNHART, HANS

Chief of Government.

Formerly Deputy Prime Minister. Since February 1978 when his Vaterlandische Union (Patriotic Union Party) gained eight of the fifteen seats up for election, Brunhart has become the Chief of Government in Liechtenstein. His relationship with Kieber, the former Prime Minister, is not always easy.

Brunhart is industrious, competent and affable but lacks the presence of Kieber. In practice it is the Castle which presides over the destiny of this little Principality.

#### LEUTWILER, DR FRITZ

President of the National Bank and Chairman of the BIS.

Born Reinach (Aargau) in 1924. Graduated from Zurich University in 1948. From then until 1952 he was Secretary of the Association for a Strong Currency, except for a period in 1951 which he spent with the Swiss Bank Corporation in London, learning the elements of banking and improving his English. Joined the Swiss National Bank in 1952. Served in several different posts (and in the Bank's branches in Berne and Basle) and gained quick



promotion. Visited Germany, Austria and the United States on the Bank's business. From early in 1968 attended meetings of the BIS. Appointed Director-General in 1968. In March 1974 he was appointed President of the National Bank and in 1981 appointed Chairman of the Board and President of the BIS.

A person of outstanding ability who has risen to the top of his profession at a comparatively early age. He is very well thought of by the banking fraternity, domestic and international. His charm of manner is sometimes concealed by a slightly abrupt approach, to people whom he does not know well. Married.