

The DACH economic area: trade, capital and language

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No treaty defines the DACH area, which has no legal existence of its own. The term denotes a practical category that describes the overlap of three economies bound together by geography, language and a dense web of bilateral agreements. Germany is by a wide margin Switzerland's most important trading partner, a relationship that rests on more than two hundred bilateral treaties covering matters from double taxation and social security to road transport and the use of the Rhine.¹ Austria, a smaller partner in absolute terms, matters above all to eastern Switzerland, whose industrial firms in St. Gallen, Thurgau and the Rhine valley maintain supply chains that run across the border into Vorarlberg and beyond. Liechtenstein, finally, is so closely integrated with Switzerland through the customs union that trade between the two countries is not captured as foreign trade at all.²

For a financial centre, the flows of capital matter more than the flows of goods. German and Austrian industrial groups have for generations maintained Swiss subsidiaries, and Swiss companies such as the large insurers, the food and pharmaceutical groups and the engineering firms have built extensive operations in both neighbouring countries. Above these corporate relationships sits the private wealth that was the subject of the two preceding chapters. German and Austrian families have placed assets with Zurich banks since the late nineteenth century, first in search of stability and later, during the inflations and currency controls of the twentieth century, in search of protection against their own states. The result is a stock of cross-border relationships that has survived the end of banking secrecy for tax purposes, even if the reasons for holding a Swiss account have changed. The reasons that Swiss banks now put forward to DACH clients are the stability of the Swiss franc, the political predictability of the Confederation, the quality of portfolio management and the

availability of Swiss custody for assets that are fully declared in the home country.

Language is the third element and perhaps the most underrated. The fact that a client from Munich, Innsbruck or Vaduz can read a Zurich bank's account opening documents, a Zurich lawyer's memorandum or a Swiss court judgment in the language of his own schooling lowers transaction costs to a degree that is easy to overlook. Standard German serves as the written language in all three countries, even though spoken Swiss German differs considerably from the varieties heard in Germany and Austria and although legal terminology diverges in important respects. Chapter K.IV of this Part examines these linguistic questions in detail. For the present chapter it is enough to note that the shared written language allowed a single professional class of lawyers, trustees, tax advisers and bankers to serve clients in all three countries, often from offices in Zurich.

The legal traditions reinforce this effect. Swiss, German, Austrian and Liechtenstein private law all belong to the Central European civil law family, even though each has its own codification. The Austrian Allgemeines Bürgerliches Gesetzbuch of 1811 served as a model in Liechtenstein, where parts of it still apply, while the Swiss Civil Code of 1907 and the Code of Obligations influenced Liechtenstein's later legislation on property and on persons and companies.³ German practitioners find Swiss contract law familiar, and Austrian practitioners recognise in Swiss procedure many of the institutions of their own. This common ground does not remove the need for local advice, but it allows a Zurich lawyer to discuss a German inheritance plan or an Austrian foundation deed with his colleagues across the border on equal terms.

Institutionally, the DACH area has produced a number of bodies that express this proximity. The Handelskammer Deutschland-Schweiz, based in Zurich, has served for more than a century as the principal institution for questions of economic relations between Germany on the one side and Switzerland and Liechtenstein on the other. It forms part of both the German network of chambers of commerce abroad and the Swiss network of bilateral chambers and reports more than 25,000 enquiries from companies each year.⁴ A comparable function for Austria is performed by the Austrian trade delegation in Zurich, ADVANTAGE AUSTRIA Zürich.⁵ These bodies are unspectacular, yet they supply much of the day-to-day infrastructure through which companies and advisers find each other.

For Zurich, the importance of the DACH market lies in its combination of scale and closeness. The Asian and Middle Eastern markets described

elsewhere in this book promise growth, but they require offices, licences and staff abroad. The DACH market can be served from Zurich by train within a few hours, in the client's own language and within a legal framework that has become, through the automatic exchange of information and the bilateral agreements, highly predictable. Geneva draws on the international organisations and on its francophone hinterland in France, Belgium and Francophone Africa. Zurich's natural hinterland is German-speaking, which is why a large part of its private banking business and its legal and fiduciary services continues to depend on it.

1 Notes

1. Deutsch-Schweizerische Juristen-Vereinigung e.V. (DSJV), website, "Über uns", <https://dsjv.de/>. The association's self-description refers to Germany as Switzerland's most important trading partner and to more than 200 bilateral treaties between the two states. ↩
2. Federal Department of Foreign Affairs (EDA), "Bilaterale Beziehungen Schweiz–Liechtenstein", <https://www.eda.admin.ch/eda/de/home/vertretungen-und-reisehinweise/liechtenstein/schweiz-liechtenstein.html>. The page notes that trade between the two states cannot be precisely recorded because of the customs union. ↩
3. Elisabeth Berger, "Gelebter Parlamentarismus – die ABGB-Reform im liechtensteinischen Landtag", *Czasopismo Prawno-Historyczne* 61 (2009), no. 2, <https://pressto.amu.edu.pl/index.php/cph/article/download/41581/34926/93734> (reception of the ABGB by princely ordinance of 18 February 1812, Sachenrecht of 1922 and Personen- und Gesellschaftsrecht of 1926 on the Swiss model). The ABGB "vom 1. Juni 1811" remains in force in Liechtenstein as LR 210.0: <https://www.gesetze.li/konso/1003001000>. ↩
4. Handelskammer Deutschland-Schweiz, "100 Jahre Handelskammer Deutschland-Schweiz", <https://www.handelskammer-d-ch.ch/de/ueber-uns/100-jahre-handelskammer-deutschland-schweiz>. The seat is at Tödistrasse 60, 8002 Zurich. ↩

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5. ADVANTAGE AUSTRIA, website of the office in Switzerland, <https://www.advantageaustria.org/ch/> (“ADVANTAGE AUSTRIA Zürich, Österreichische Wirtschaftsdelegation, Talstraße 65, 8001 Zürich”). ↩

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