



Written by [Alex Newman](#) on June 16, 2010

U.S. Terrorizes Switzerland Over Taxes, Banking

The U.S. government is using threats and intimidation to coerce tiny Switzerland into changing its laws and handing over the names of Americans suspected of avoiding U.S. taxes using Swiss banks.

Under an agreement organized between the two governments last year, the neutral alpine nation famous for its banking secrecy was supposed to divulge the names associated with about 4,500 accounts suspected of sheltering money from the Internal Revenue Service. But a Swiss judge blocked the disclosure because it violated national banking laws.



On June 15, however, the lower house of Switzerland's Parliament reversed its previous decision and agreed 81 to 61 — with 53 abstentions — to a measure that would waive the law. But there's a catch: the measure would have to be put to a national referendum so that voters could make the final decision.

The upper house of Parliament had earlier passed a similar proposal, but without the requirement of a popular vote. Now, the two chambers must iron out the differences before the measure can move forward. The next vote on the issue is expected by June 18, but if both houses can't agree, the process stalls as parliamentarians head for recess.

"With a treaty we would be changing an existing law and in such cases it is about the direct democracy," [explained](#) Swiss People's Party leader in the lower house, Caspar Baader. "When in doubt, it should be the people who have the final say, not the experts and that is why we are calling on you to follow the majority and support the referendum."

The deadline to hand over the names was originally set in the agreement for August of this year. But if a referendum is called, the Swiss government will not be able to meet the original timeline even if the people approve the deal, since a national vote cannot be held until at least 2011.

Predictably, the IRS is fuming and threatening retaliatory action. "We have an agreement with the Swiss government which calls for them to provide us with the names and other information of approximately 4,500 U.S. account holders at UBS," a spokesman for the IRS explained in a statement cited by the [New York Times](#). "We expect that the Swiss government will honor the agreement it signed and will do so within the agreed-upon timeframes. While we look forward to a positive resolution of this matter, we remain prepared to use all available options, including the U.S. courts, should the present efforts fail."

The bank in question — UBS, Switzerland's largest — admitted to helping wealthy Americans hide tens of billions in income from American tax authorities. In 2009, in exchange for a deferred-prosecution agreement from the U.S. government, the bank agreed to pay over \$750 million in fines and hand over details of certain clients. But if the Swiss government does not agree to provide the names, the bank could still be in big trouble in the United States. It might even lose its American banking license.



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UBS has refused to comment while the debate is raging, but the Associated Press [noted](#) that the agreement “has been portrayed by some as a nail in the coffin for Swiss banking secrecy.” Some businesses in Switzerland are concerned about possible retaliation from the U.S. regime — which could lead to job losses there — if the small nation refuses to cooperate. But there is also concern that the agreement could harm Switzerland’s thriving banking sector.

The Swiss Minister of Justice expressed concern about the effects of U.S. bullying in the event of Parliament not approving the deal, saying it could have a negative impact on Swiss firms. “If Parliament ultimately fails to approve the treaty, the U.S. could swiftly start taking measures,” Justice Minister Eveline Widmer-Schlumpf told Bloomberg. “It would have negative consequences for Swiss companies and for U.S. companies investing in Switzerland.”

The European Union [defines](#) terrorism as offenses against people or property that “given their nature or context, may seriously damage a country or an international organization where committed with the aim of: seriously intimidating a population; or unduly compelling a Government or international organization to perform or abstain from performing any act; or seriously destabilizing or destroying the fundamental political, constitutional, economic or social structures of a country or an international organization.”

While threats from governments were probably not meant to be considered in that definition, U.S. bully tactics against Switzerland’s laws and political system are without a doubt aimed at “intimidating a population” and “compelling a government” to “perform or abstain from performing any act.” And while bludgeoning a tiny country like Switzerland to try to scrape up a few extra dollars for the U.S. government might not be terrorism in the accepted sense, Americans should imagine themselves on the other side of the coin, facing threats to comply with another government’s demands.

A tax regime that requires pressuring foreign governments for compliance is not sustainable and will only further undermine America’s reputation abroad. A better solution to the IRS’s problem would be to end the IRS and the income tax, as many Congressmen have proposed. The government would still collect more than enough revenue to fulfill its constitutional responsibilities, and among the many benefits, Americans would no longer be [considered pariahs](#) among foreign banks.

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