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# The Swiss Observer

FOUNDED BY P. F. BOEHRINGER.

**The Official Organ of the Swiss Colony in Great Britain.**

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## NEWS AT RANDOM

### Federal

The statement attributed to Mr. Hugh Dalton, the British Chancellor of the Exchequer, when in Washington that Switzerland should contribute towards the cost of the occupation and reconstruction of Germany and Austria has roused a storm of protest in the Swiss press. Here are a few extracts published in "The Star," October 11th:

"The 'Gazette De Lausanne' said, 'There is no need for us to beg for forgiveness for our present situation.

'We have never wanted war. We have always done our best to help others.

'But from the recognition of this duty to the acceptance of the principle that Switzerland should have to carry burdens in order to lighten the load of the Anglo-Saxon countries, is a very big step indeed.

'We are only too glad to continue to help, but this help must be free and in no way compulsory.'

'Die Tat,' of Zurich, commented: 'If we are supposed to put the countries which have been completely drained by the victors on their feet again, the answer to this is: Three times "No."

'Allied military authorities have placed every imaginable obstacle in the way of Swiss private relief work and have raised opposition to Switzerland having normal trade relations with the occupied countries.' "

It seems hardly necessary to recall the work of the numerous Swiss private associations that have collected and despatched across the Rhine victuals and wearing apparel, the free hospitalisation of the famished and sick, the deeds of the "Don Suisse" assisted by the expenditure of 143 million francs — all vital contributions to the rehabilitation of countries that with and ever since the end of hostilities have been deprived of most of the plant and machinery essential to regain some measure of self-sufficiency. In the States Council it was stated on the 10th inst. that the total value of the numerous voluntary contributions and gifts were about 500 million francs — an offering possible only by having remained neutral.

The visit to Paris of Fed. Counc. Petitpierre is unofficially linked with the likely occupancy of the old League of Nations Palace in Geneva by part or the whole of the U.N.O. administration. There also seem to be indications that Geneva has been chosen as the seat of the Foreign Ministers' Council to discuss the peace treaty in regard to Germany, when this felicitous moment arrives.

\* \* \*

A lively discussion is likely to divert the National Council in the near future as a sequel to a disclosure made in one of our papers ("Nation"). Conversations over the telephone are often officially listened into, transcribed and a copy handed to certain departments, especially where black market dealings or criminal actions may be the subject of these dialogues. The Federal Council has promised to allow an open discussion and give all the desired information but declined beforehand to reveal the particular numbers which figure on this "black list."

\* \* \*

Contradictory reports are current about the outcome of the negotiations between the secretariat of the

## ROYAL VICTORIA HOTEL

### ST. LEONARDS-ON-SEA

(Extract from the "Neue Zürcher Zeitung.")

"The Swiss Students staying in England celebrated their National Independence last August 1st.

After riding through the glorious green of Kent the party began in earnest at the best Hotel in the South of England, namely, the Royal Victoria Hotel, the Manager of which is a Swiss from Poschiavo. In this Anglo-Swiss establishment a warm welcome was extended to the visitors.

During the excellent dinner, music of Tchaikowsky and Mozart was played by the orchestra, which, after the dinner, with versatility switched to dance music and Swiss tunes and dances.

It is quite clear that the Swiss are welcome guests in the United Kingdom."

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UNO and Counsellor of Legation Daniel Secrétan, who has now returned from New York. Some American reports say that the conference has terminated in a mutually satisfactory manner.

### Cantonal

A startling accident is reported from Turbenthal (Zurich) where an 83 year old tiler fell to death from a roof he was working on.

A novel fox hunt organised by the Swiss automobile club and the Zurich Aeroclub just missed a tragic conclusion. Four balloons representing the foxes, had to be chased by cars and captured wheresoever they descended. One of them came down on the railway line near the Burgdorf station a few minutes after the Berne-Olten express had passed. Thanks to the presence of mind of the station staff the electric current was switched off; apart from the temporary interruption of the train service and the clearing of the line no serious consequences closed this new sports display (!).

Another sector of the old railway line was handed over to electric traction on the 5th inst.; it is the strip Oberwinterthur-Etzwilen-Stein am Rhein (31 km). The annual value of coal saved is nearly half a million francs while the whole cost of the electrification does not exceed three million francs.

To meet the shortage of accommodation in local hotels which forced casual visitors to spend the night in the open, the Biel council has decided to convert the

large air-raid shelter under the municipal building into an emergency hotel where 30 sleeping berths are now being installed.

The entanglement of cantonal laws is shown by a case which has just been disposed of in the courts of Solothurn. A Bernese in possession of a cantonal hunt licence was chasing and shooting a deer that actually collapsed across the frontier on Solothurn territory. The hunt of the latter canton promptly sued him for damages on the ground that the prerogative of their members had been infringed. The court protected the Bernese, stating that the offence was accidental and not intended; a higher court, however, reversed the judgment with the result that the price of that roast venison is now 1,500 francs.

Col. Adolf Schweighauser died in Berne at the age of nearly 80. For 60 years he has been closely identified with the movement and development of rifle clubs throughout the country. In 1925 he was elected president of the Swiss Rifle Association (Schweiz. Schützenverein) and when after ten years of assiduous and exhausting exertions in the interest of our national sport he retired, the association nominated him honorary president.

The Basle Grosse Rat has voted a winter allowance to the civil servants of the town; the amount required is only 1.8 million francs but the total annual cost of the municipal administration has now reached 52 million francs.

The inhabitants of Kreuzlingen and neighbourhood have arranged to invite for the next few months poor and badly nourished children between the ages of three and ten from Konstanz to join them at meal times. Twice a week the youngsters will cross the frontier for lunch and dinner and return in the evening.

A private plane soon after taking off from the Agno airfield near Lugano came to earth again, killing the pilot, R. von der Goltz, age 28, and gravely wounding his passenger, L. de Lorenzi, age 37, both from Lugano.

A drive organised in the Rhone valley on October 4th to slay the alleged marauding panthers has turned out to be a fiasco. Bad weather is said to have been partly responsible. The hunters had to march for hours in pouring rain and watch to no purpose at exposed stands allotted to them. New dispositions are under consideration. The damage suffered by farmers so far is about 130 animals, mostly sheep, lambs and goats. Here is a sprightly description published in the "Sunday Express" on September 29th:

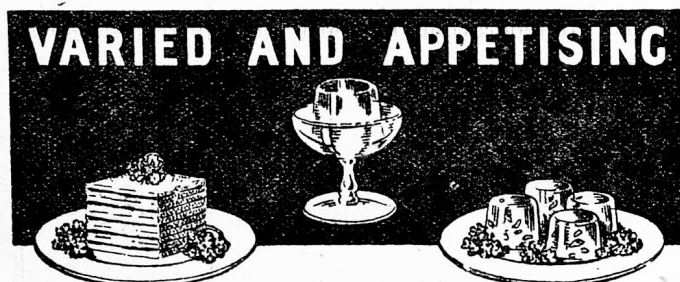
"To-morrow the great hunt starts for the Killer of Valais, the Swiss canton famous for its vineyards, holiday resorts and earthquakes.

Every man in the canton with a gun will join in the search for the mysterious beast which, for months, has ravaged flocks on the high Alpine pastures.

In the villages they talk of a lynx. Some even say it is a maniac at large. And the superstitious believe it is the Devil at work.

Children are kept in sight of their homes and peasants work in the fields with loaded guns at hand.

When, first, three sheep were found mangled and bleeding to death, a killer dog was suspected.



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Then more animals were found killed. Shepherds began to chain up their dogs securely at night. Rumours spread of neighbours' feuds.

But after all sheepdogs had been locked up every night the killings continued.

Every morning there came news from outlying farms that more sheep or goats had been slaughtered or had disappeared. More than 100 sheep have been lost in one district alone.

Then one evening in the dusk a shepherd came face to face with a 'strange, dark, huge beast with big fangs and long ears,' which vanished before he had recovered from his fright.

Then a man recognised the cry of a panther and it was confirmed that two panthers had escaped from a circus not far away across the alps two years earlier."

\* \* \*

A counterfeit mint was discovered in Geneva and four persons, all craftsmen, have so far been arrested by the police, one of them at Chiasso when on the point of seeking sanctuary in Italy. In a moderately equipped workshop in Carouge, which housed dies and a 60 ton stamping press, gold pieces with 9 carat gold were turned out and flattened 10 cts coins restamped as 50 cts pieces.

### Army

If unofficial reports both in the English and Swiss press are to be relied upon, important changes are taking place in the equipment of the Swiss air force. After the visit of a military commission to aircraft factories in this country some jet fighters were flown home for examination and testing on airfields which by comparison are described as of "pocket-handkerchief dimensions." The thorough trials seem to have completely satisfied the C.-in-C. of our Air Force, Col. Linner, and the result has been an order for one hundred single-seater de Havilland Vampires. Our own aircraft production, started modestly early in the war and never much heard of, would presumably become redundant.

\* \* \*

Capt. Max Kamber, a 38 year old secretary from Berne, was killed on the 12th inst. when his Morane plane crashed in flames soon after leaving the Sitten

airfield; he is said to have collided with an overhead high tension cable.

\* \* \*

Our army tribunals are still adjudicating transgressions dating back to the early years of the war. In the frontier district of Delle a group was busy supplying the Gestapo with particulars of army dispositions and lists of members of the intelligence service whose subsequent denunciation prevented them from carrying on. The leader of this espionage ring who was serving in a local unit, Werner Bolliger, was sentenced to nine years' penal servitude.

### Traffic

Fed. Councillor Celio replied in the National Council to insistent demands voiced in the socialist press that civil aviation should be nationalised. The question, he said, has been thoroughly studied by the Federal Council who came to the conclusion that one Swiss aviation company should be formed in which the Confederation, cantons, trade, industry, etc., should be represented. This would in the first instance restrain the existing competition between Swissair and Alpar and would also insure a fair consideration of the interests of other regions. The Geneva representative stressed his canton's disappointment; they could not overlook the preponderant position which Zurich was allowed to gain in the field of inter-continental aviation.

\* \* \*

Some contradiction seems to be implied by the following official news given to the Swiss press a few days afterwards. A total of three million francs is to be subscribed by the Government in the new 20 million francs share issue of Swissair, i.e., one million each by the Confederation, the post and telegraph administration and the Swiss Federal Railways. Basle and Zurich have also subscribed a million francs each.

\* \* \*

Some gratification will be felt by Geneva over the news that the B.E.A. scheduled service between this country and Switzerland which terminated so far at Zurich is now running to Geneva. This is what the "Aeroplane," October 11th, says about this change:

"British European Airways has announced that, for 'technical reasons,' it has become necessary to divert the London-Zurich route to Geneva.

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As all of the Corporation's aircraft have been absorbed in other routes, it was necessary, in order to get the service started, to call on the assistance of Skyways, Ltd., who is at present operating the route. This charter company has been using Douglas Dakotas and Avro Yorks for the service, and has found, when Zurich is waterlogged, it is impossible to lift a fully loaded Dakota from the aerodrome, let alone operate Yorks, which has influenced the choice of Geneva as an alternative. B.E.A. is unable to say how long this charter position will last, as everything depends on supply of further aircraft, but the Corporation volunteered a tentative guess of 'the end of the year.'

October 6th saw the start of B.E.A.'s Winter service schedule with an extra facility and two modifications. From that date, passengers were able to purchase alcoholic drinks and table waters in addition to the free refreshment normally served during the flight."

A direct service to and from Paris has been inaugurated on the 7th inst. from the new airfield Basle-Mulhouse; the flight takes 1½ hours, is daily (Sundays excepted) and is operated in the early afternoon.

Returning from its first flight since the war to Oslo a Swissair freighter brought back three polar bears weighing about 120 lbs. each; they were the first consignment of a total of five destined for the circus "Knie."

The winter time-table published a few days ago shows a considerable improvement in the air service to Switzerland. Swissair runs a daily service London-Zurich, four times a week to Geneva and once on Sundays only to Basle. A daily service to Geneva is also operated by British European Airways.

### Economics

With the end of the summer holidays most of the English papers have commented on the ease that enabled enterprising visitors to take advantage of the difference in the exchange value of the £ sterling on the free market. Some writers pretend that the Swiss people are the actual losers in these illegal transactions but it seems to us that it is certainly not to the advantage of this country if English notes are acquired at nearly half the official rate abroad for the purchase of goods over here. The following is a typical article

taken from the "Glasgow Herald," October 7th:

"Many British visitors to Switzerland are getting their holidays at the expense of the Treasury by taking advantage of currency anomalies. To do this they evade foreign exchange regulations, but international monetary relations are so chaotic that it is proving impossible to enforce the law.

The British visitor goes to Switzerland for a fortnight's holiday with the regulation £75 converted into Swiss francs at the official rate of 17.35 francs to the £1. Thus, he starts his holiday with just over 1,300 francs in his pocket, giving him about 90 francs to spend each day (says Reuter from Zurich).

But he can have an enjoyable holiday on 50 francs (just under £3) a day. The balance he can save, and at the end of his stay convert it back into 'exiled' pound notes bought in Switzerland on the open market at the rate of 9.50 francs to the £1.

By saving 40 francs a day he can purchase 60 British pounds at the end of his fortnight. If he spends a few shillings less a day, he can regain his original £75 by the end of his holiday.

Under the regulations he is allowed to take not more than £10 back with him to Britain, but the unscrupulous traveller simply mails his £75 to Britain — a little at a time to escape the watchful eyes of G.P.O. officials — and there it is waiting for him on his return.

This is but one illustration of the currency chaos on the Continent that is to-day providing racketeers with substantial incomes. It is due mainly to the differences existing between the buy-

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ing and the selling prices of foreign exchange. The traveller whose conscience allows him to take the risk of evading exchange restrictions can make a small fortune.

Only the very 'green' traveller to-day attempts to smuggle banknotes through the Customs on his own person, for it is quite unnecessary and too dangerous.

The Swiss business man who visits Britain can finance his stay here very cheaply by buying cheap pounds in Switzerland and airmailing them to an address in London, collecting them on his arrival. He saves about 40 per cent on what he would have paid for the same number of pounds at the official rate.

Officially the 'exiled' notes are being very slowly repatriated; in practice they are being mailed to England day by day in considerable quantities. If the Treasury were to try to stop this illegal traffic by reintroducing Post Office censorship, it would cost more than the amounts likely to be seized.

An alternative would be to remove the regulation. It is this restriction itself that keeps the exchange rate of 'exiled' pound notes low. Once it became possible to take them freely back to Britain, the increased demand for them would automatically raise their value in Switzerland almost to the official figure.

Where do these cheap notes come from? In spite of Swiss war-time regulations forbidding the purchase and sale of foreign currency, British banknotes were always available on the Swiss black market at a very low rate. After the war, when the

## CITY SWISS CLUB.

Members are advised that the next **Monthly Meeting** will take place, on **Tuesday, November 5th, 1946**, at **Brown's Hotel, Dover Street, W.1**, **6.30 p.m. for 7 p.m.**

### Agenda.

#### Admissions, Resignations Divers.

In view of the restricted accommodation, it is requested to abstain from bringing guests.

Will Members wishing to attend kindly inform the Manager, Brown's Hotel, Dover Street, W.1, not later than 2/11/46.

THE COMMITTEE.

Bank of England withdrew the higher denominations, it was realised that the £1 notes would still be honoured.

Treasury officials in London consider it unlikely that such transactions will grow to formidable proportions, since, in their opinion, the majority of British tourists are more intent on 'having a good time' and buying goods in short supply in Britain than on making profits by dodging Treasury regulations. Officials point out that a law exists making it illegal for individuals to send pound notes into Britain by post."

The future exportable allowance is not to be raised to £100 as has been freely hinted in Switzerland but will remain at £75 for another 12 months from the 1st of November next.

The following is from the "*New Statesman*," October 12th:

"What, you may ask, about money control? A Customs official did actually ask me if I had *valuta* in my suit case, and a suspicious Frenchwoman at Calais turned out the contents of my pocket-book. But if I had been smuggling currency, I should not have kept it loose in my bag or alongside my authorised quota of pound notes. That's not how it works. If one takes an English pound to a bank in Italy, one receives 900 lire. A shop will exchange the same pound sterling, for 1,200 or even 1,600 lire. On the one occasion when I was forced, because the banks were closed, to change money at a shop, I received 1,200 lire on condition that I bought articles which I did not want. In other words I received the legal number of lire plus an unsolicited gift of a lace table centre. But if I had changed my pound in Basle I should have been given 17 Swiss francs, each of them worth 150 to 170 lire in Milan. This would have given me 2,500 lire for my pound, and I should have been nearly three times as rich. Many people have learnt this trick during the last few months. On the train home I heard them discussing it. The game is to pay in advance to an English agency one's return fare and all one's hotel expenses. That leaves £75 basic allowance for pocket money. Having changed this, or part of it, into Swiss francs, and got on to a Swiss bus which takes trippers to Milan or Venice, the English tourist arrives to find himself a million-

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aire with an embarrassing choice in the Italian shops. Never was such an intoxicating feast of superb consumers' goods to be had dirt cheap. Ladies buy complete new outfits, including jewelry, and talk about their angora frocks and silk stockings all the way home. Which brings me to the third point — the Customs. Again, with trains waiting, the harassed officials at Dover are no more able to search everyone's luggage than the Italian officials are able to strip everyone to find out how many Swiss francs they are taking into Italy. The net result is an infuriating and humiliating farce, a mockery of the law and an incitement to lying."

\* \* \*

And the "Banker" October issue writes perhaps with more authority:

"One of the main characteristics of the currency chaos that is following World War II is the existence of sharp disparities between the quotations for drafts or transfers and the open market prices of notes. Another outstanding feature is the wide discrepancy between the prices of the same notes in various countries. Both phenomena are due to the facts that, while the rate for drafts or transfers is officially controlled, the authorities of most countries take no interest in the quotations of their notes; and, in addition, the movement of these notes to and from the countries of origin is subject to restrictions.

A few examples of the confused state of affairs will suffice. In Switzerland, pound notes are obtainable around 10 Swiss francs, against the official exchange rate of 17.35. French franc notes were at one time as low as 65 Swiss centimes per 100 French francs, though they have since recovered to 1.40 Swiss francs. Italian lire were recently about one centime per lira.

The discount on the pound notes is explained by the fact that their re-import into this country is limited to £10 per traveller. Swiss buyers cannot be credited with the sterling value of any notes they choose to buy; they have to re-sell them to a

traveller or to a speculator who considers the rate low enough to make it worth his while to hold the notes. Even dollar notes are at a discount in Switzerland compared with the official exchange rate. Although there is no embargo in the United States on the re-import of dollar notes, the proceeds would be credited to dollar accounts which could not be converted into Swiss francs, owing to the existing arrangement under which the Swiss National Bank only buys dollars originating from exports.

Both pound notes and especially dollar notes are, on the other hand, at a considerable premium compared with the official rates in France, Italy and other countries in Europe. While Swiss people have no desire to hoard such notes, there is a very strong hoarding demand for them in countries with weak or relatively weak currencies. Speculators and hoarders in such countries are not worried by the lack of opportunity to convert the pound notes into sterling balances, or to convert the proceeds of the dollar notes into their own national currencies. They prefer to hold the pound or dollar notes themselves. Of the two, they of course prefer the dollars, so that the sterling-dollar cross-rate in France and other continental countries works out at something like 3 dollars or less to the pound, against the official sterling-dollar rate of 4.03.

The discount on franc and lira notes in Switzerland compared with the official franc and lira exchange rates is very wide, owing to the fact that the flight of capital from France and Italy — especially the former — took the form of illicit export of notes. The absorbing capacity of the Swiss market is, however, very limited. With the memory of the non-stop depreciation of the mark in 1923 still in their minds, Swiss speculators prefer not to touch such notes. Demand is mainly for the requirements of tourists. Many Swiss people bought up lire or francs and spent very cheap holidays in Italy or France. British tourists, too, have realised the possibilities offered by the low price of franc or lira notes. A great many Englishmen — and (who knows?) Scotsmen, too — spend only a few hours in Basle. After cashing their travellers' cheques in Switzerland they buy French notes with the proceeds and promptly return to France, where they can have as luxurious a holiday as the £75 allocated to them by the Treasury permits. By so doing, they do not break any British law; they do, however, circumvent the French restriction on the re-import of Bank of France notes in excess of Frs. 4,000. These operations actually yield a larger profit than might be secured by selling pound notes in France — if such notes were freely exportable — or if the regulations were evaded. Profitable 'arbitrage' can also be carried out with Italy, where the premium on pound notes is well over 100 per cent.

Owing to the persistence of such discrepancies, the continental markets for foreign notes have seen a reappearance of the *Valutenschieber* ('shifter of

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foreign currencies' is the nearest translation), a type that gained notoriety during the currency chaos of the early 'twenties. These operators follow the discrepancies, and find excuses for travelling from one country to another, with bundles of notes well concealed in their luggage or on their person. In addition to the France-Switzerland-Italy triangle, there are various other itineraries which ingenuity devises. Tangier is one of the centres through which, it is said, the British exchange regulations are systematically circumvented. Margins of profit are very wide, and some of these post-war profiteers have made a fortune, even though the market is rather sensitive and reacts sharply to operations on a professional scale. The strike of French Customs officials provided currency shifters with an opportunity of operating on a really large scale.

At the other extreme there is the proverbial citizen of Aberdeen who is said to have managed to have a free holiday in Switzerland. This legendary individual is said to have spent but a small part of the Swiss franc proceeds of his travellers' cheques at the modest *pension* where he lived for a week or so; with the balance he bought pound notes at a discount, and calculated that, when he reached his native heaths, he would have just half-a-crown more than when he started out. On his return, however, the watchful authorities made sure that, on balance, he had a very expensive holiday indeed — with the gracious option, which he declined, to take another and longer holiday at their expense. Or did they? The law-abiding traditions of Scotsmen are so well known that the authorities must have been pursuing a mythical figure. But the story is too good an object-lesson, in what *might* be done amid present chaos, to dismiss on that account."

### Humanitarian

In the National Council an amount of 75 million francs (which cantonal contributions will raise to 100 million) has been voted to enable Swiss abroad — or returned home — to re-establish a fresh livelihood. This will benefit mainly those who have lost their callings in belligerent countries; claims for actual damage or loss are not affected and remain a matter for diplomatic representations by our authorities.

—oo—

The exchange racket practised by foreign tourists in Switzerland is still the theme of many fascinating articles in the English press, though none of them have found a solution comprehensible to the ordinary human being. In this connection a farcical report appeared on October 15th in the "*Daily Express*" for which we have not found any corroboration:

"At Britain's request, the Swiss Government has ordered heavy penalties for British visitors who buy goods with cheques drawn on English banks after they have spent the £75 they are allowed to take abroad."

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## THE NEUTRALITY OF SWITZERLAND.

"*Swiss Neutrality*" by EDGAR BONJOUR. Translated by MARY HOTTINGER. (Allen & Unwin 6/-.)

This is a timely book and one that should go a long way to dispel the misconceptions which exist as to the real meaning of Switzerland's neutrality.

The author, professor of History at the University of Basle, has set himself the task of presenting a short but comprehensive study, mainly historical, of the origins and the development of Swiss neutrality. His survey shows that neutrality has been the keynote of Swiss politics from the earliest times and that it has always held a deeply rooted place in the political structure of the Confederation and in the minds of the Swiss people.

Swiss neutrality, as we know it, dates back to the 17th century but already before this period the Swiss were dimly aware that a system of neutrality was necessary for their protection and that their national existence and independence were closely linked with it. Foreign entanglements, they sensed, could be but harmful to their peculiarly constituted federation.

It has been the custom to date Swiss neutrality from the battle of Marignano. Actually the first step towards absolute neutrality was taken at the time of the Thirty Years' War. It took the form of a general prohibition of free passage of foreign troops through Swiss territory, thereby challenging the authority of Grotius, the most famous international lawyer of the time who did not admit any valid grounds of such refusal by any neutrals. For the next two centuries no foreign armies crossed Switzerland and her neutrality was respected until it suffered an eclipse in consequence of the outbreak of the French Revolution and the rise of the first Napoleon.

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