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A CROSSROADS OF EUROPEAN COMMERCE. Switzerland's Unique Position.

(We herewith re-produce an article which appeared in the September 30th issue of "The Times" by the courtesy of the Editor.)

By an odd misprint in a war-time publication Switzerland was once described as "a land flowing with milk and money," and as is often the case with the *lapsus calami*, it came close to the truth. The favourable economic position of the country, her thriving manufacturers, booming trade, and above all hard currency have made her the wonder and envy of European neighbours. Spared the ravages of war and the privations of the peace, the Swiss have managed to win and hold a strong political position in Europe and extend their economic influence throughout the world. This is no mean feat for a country with a population of about 4,500,000 and a territory of only 15,950 square miles of which nearly one-fifth is unproductive, without raw materials and growing less than half the food she consumes. How it is done is described by the Commercial Counsellor of the British Embassy in Berne, Mr. W. Harpham, in a Board of Trade Report on Economic Conditions in Switzerland to March, 1948. As a result of her isolation from world sources of supply in the war, writes Mr. Harpham, Switzerland found a large measure of autarky forced upon her, and was compelled to expand her industry into new fields. The change-over was not without its handicaps, notably the shortage of many kinds of raw materials and curtailment in the demand for some of Switzerland's special products. The needs of the home market, which had formerly depended on Germany for 25 per cent. of its imports, had to be met from local resources to a far greater extent than hitherto. At the same time great demands on Swiss exports were made by surrounding countries. The effort to meet these requirements led to the full employment of all available workers. Some industries enjoyed unprecedented prosperity. This was reflected in the export figures: while the volume dwindled owing to lower exports of agricultural produce sales of high-precision goods (particularly machinery and watches) led to increased values.

The Swiss Government of the day thought it too good to last. They made elaborate preparations to meet what they regarded as an inevitable slump after the war by an extensive programme of public works. Switzerland, however, emerged from the war industrially and commercially stronger than before and financially sound in spite of the strain of nearly six years of mobilisation. Her economic structure remained unimpaired, but the direction of her foreign trade was completely changed. Exports to Germany were suspended. Switzerland again had access to world markets as transport facilities reopened through France and Italy.

The Swiss authorities made a great contribution to the work of reconstruction. They provided other countries with facilities to resume commercial exchanges and concentrated on securing the supplies essential to production. They suspended practically all import restrictions on industrial products. Bilateral agreements began to link Switzerland with other countries. Local production and local requirements were coordinated. Substantial credits were

granted to facilitate the dispatch from Switzerland of urgently needed capital goods. The demand for Swiss products seemed at first insatiable, and shortage of labour the only limiting factor. Unprecedented export figures were reached, and in the process the Swiss franc became the most sought-after currency in Europe.

The open door policy for imports, coupled with export restrictions, has been an important factor in upholding the purchasing power of the Swiss franc. The Customs tariff of 1921 is on a weight basis and its incidence on imports, an overall 16 per cent., has been roughly halved by the rise in prices. It had led to full employment, record industrial expansion, a brisk home market and unprecedented traffic returns. Large stocks of food, fuel and industrial raw materials are built up as a safeguard against the future. The whole structure has been served by an intricate system of internal price control, price pooling, consolidating levies and export credits.

So far it has worked well, and the tendency is to a removal of controls, but there have been difficulties. Deficits in the balance of payments of certain countries with Switzerland have had to be met by remittances in gold and foreign exchange, the acceptance of which the Swiss National Bank was obliged to restrict in order to check inflationary tendencies, while at the same time imports were fostered. Mr. Harpham quotes the President of the National Bank as saying in March, 1948, that "the balance of payments is believed to be too favourable, due in 1947 to non-recurring factors which cannot be counted upon in future years." None the less he shows that the large visible import surplus of 1,550m. francs is more than offset by receipts from tourist traffic, services, and foreign investment. These were valued at 12,000m. francs in 1944 and have undoubtedly greatly increased.

The war left its mark on the national finances and the effects are being felt to-day. The cost of her traditional neutrality bears heavily on the taxpayer. The principal items of expenditure were mobilization and civil defence, fortifications, war economy departments, international debt losses on commercial account, repatriation, humanitarian organizations, and facilities for refugees. The National Debt rose to 8,479m. francs in 1946, reduced to 8,159m. francs in 1947. Cost-of-living subsidies constitute a heavy budgetary item. These rose from 164m. francs in 1947 to 249m. francs in 1948. It is estimated that their abolition would raise the cost-of-living index by 5 to 8 points, with immediate repercussion on wages. The upward spiral

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of prices and wages at one time threatened not only inflation but the exporting capacity. In January of this year it was agreed to stabilize prices and wages at the existing level until the end of next October.

Germany has not yet recovered her place as the chief supplier of Switzerland, but imports of German finished goods last year reached one-third of the 1938 figure. Mr. Harpham notes a growing activity in Swiss business relations with Germany. On the other hand, in 1947 more than half of the Swiss imports from oversea came from the United States — mainly finished products, valued at 1,032m. francs, nearly double the value of the goods supplied in 1946. United Kingdom sales to Switzerland in 1947 were valued at 323m. francs, an increase of 126m. francs compared with 1946. On the other hand, exports to the United States are declining, while those of the United Kingdom have doubled during 1947. The trade deficit with the United States was the most important factor in the heavy excess of total imports over exports in 1947.

Reviewing the outlook for Swiss trade Mr. Harpham detects a note of uncertainty for the future. Technical progress has been achieved while close attention has been paid to industrial research. Down to the latter part of 1947 the bulk of industrial investment, apart from a few big capital issues, was provided by industry itself, but it was generally felt at the beginning of 1948 that the peak of incoming orders had been passed. The watchmaking industry is in a particularly exposed position through its dependence upon export markets. It exports 95 per cent. of its output and represents more than 20 per cent. of the total Swiss sales abroad.

The Swiss can never favour a policy of autarky. They rely upon imports not only for fuel and industrial raw materials but also for foodstuffs. Quota regulations have not been cancelled but are temporarily in abeyance. This liberal attitude has contributed to the record level of imports in 1947. Agricultural produce is expected from the general open door policy for imports since the war. The object of this is to ease the financial problems of the Swiss farmer, and to help him to meet the burden of higher wages (due to industrial competition in the labour market), the heavy cost of mechanization, and the growing indebtedness of the land, which is estimated at about Frs. 1,600 an acre.

Xmas Greetings

Following former years' practice we propose to publish again in our December issue a collective greeting.

The scarcity of paper and the costs of Xmas cards, should induce many of our subscribers to make use of this facility to extend to their friends the compliments of the season.

Those of our readers and friends wishing to be included should forward name and address to our office not later than Friday, December 10th, 1948, together with remittance for 6/-.

THE SWISS RAILWAYS.

The Press Department of the Swiss Federal Railways have recently published a booklet in French, German, Italian and English, the latter a compact little brochure of 46 pages entitled "The Swiss Federal Railways To-day."

This brochure, attractively printed and profusely illustrated, offers the readers a concisely worded survey of the management, working and maintenance of the Swiss Railway Service. For several decades the Swiss Railways have been nationalized. Their efficiency is thereby in no way impaired, on the contrary, continuous progress is the keynote of the undertaking. They are, in fact, a model of what a nationalised transport system should be.

Orderliness, cleanliness and discipline are innate to the Swiss people and their technical skill is unsurpassed. These qualities are reflected in the operation of their national railways. It is in no spirit of boastfulness that this assertion is made: thousands of travellers who have visited Switzerland will testify to its truth. Intelligent propaganda, such as attempted in this booklet, is therefore at once welcome and amply justified.

One of the innovations the British Railways might well copy is the Swiss Holiday season ticket which allows the traveller to make use of the whole network at reduced fares. So popular has this ticket become that in nine months of the 1947/48 season over half a million persons have availed themselves of the facilities it provides.

From the mass of information the booklet contains, the following facts and figures, taken at random, are extracted:—

More than three milliards Swiss francs are invested in the Federal Railways and about 3½% interest p.a. have been earned.

The S.F.R. are the country's greatest employer. Some 37,000 people are engaged in its service. Wages, pensions and cost-of-living allowances amount to about 350 million francs yearly.

6,200 km. of track, 2,944 bridges and viaducts and 240 tunnels make up the network of the S.F.R..

98% of the traffic is handled by electric traction.

The catering service is of a high order. Modern dining-cars are available on the main lines and refreshment rooms are provided in most stations. That of Zurich can seat more than 2,000 people and employs a staff of 400.

These and a great many more facts are recorded in the booklet. They speak for themselves and require no comment. But they afford an insight into the working of a great national enterprise which can be described, without exaggeration, one of the most up-to-date and best-managed transport systems in the world.

Printed in Zurich, the publication is obtainable at the bookstalls and booking offices of most Swiss transport institutions, price 80 centimes. It will be of absorbing interest not only to the Swiss themselves but to all those who have travelled or who intend travelling in Switzerland.

J.J.F.S.