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BRITISH-SWISS FINANCIAL AND TRADE AGREEMENT.

Two interesting Talks by
Dr. V. Umbrecht and M. Ch. Weibel,
of the Swiss Legation.

A large number of members and friends assembled at Swiss House on Wednesday, March 10th, when the Swiss Mercantile Society held its Monthly Meeting.

In opening the proceedings, the Chairman, Mr. W. Meier, extended a cordial welcome to Dr. V. Umbrecht, Secretary of Legation, and Monsieur Charles Weibel, Secretary of Legation, who had kindly accepted the Society's invitation to address the members on the recent British-Swiss Financial and Trade Agreements.

Both gentlemen had been intimately connected with the delicate negotiations of the Swiss Trade Delegation and whilst a considerable amount of publicity had been given to certain aspects of the Agreements concluded, members were eager to obtain a more detailed picture.

Before, however, proceeding with the main item of the evening, the meeting first dealt with the usual agenda. The Chairman announced that the council had decided to send a strong delegation to the 75th jubilee meeting of the S.K.V., which will be held at Lucerne on May 1st and 2nd. The following will represent the London Section : W. Meier, President; L. W. Krucker, Vice-President; W. Burren, Hon. Secretary; M. Heilinger, Hon. Treasurer; O. Grob, Member of Council.

As previously intimated, the library has recently been reorganised, and a large number of the latest Swiss publications on a wide range of subjects such as Commercial Law, Accountancy, Advertising, Salesmanship, Business and Industrial Administration, presented by the S.K.V., has been added. Books can now be obtained either at meetings or on application to the Secretary. It is hoped that members will make full use of this new facility.

The Chairman then called on Dr. Umbrecht, who, dealing with the *Financial Agreement*, addressed the meeting in the following terms :—

"The British Government informed the Swiss Legation in London towards the end of December last year that they would like to discuss certain financial and trade aspects of the monetary agreement concluded between the two countries on the 12th March, 1946. This agreement contained a provision according to which Great Britain obtained an advance of £15 million (equal to 260 million Swiss francs). On the other hand, the British Government was obliged to offset any deficit exceeding these £15 million against gold. The Swiss credit of 260 million francs was granted to the sterling area in two instalments : the first of 173 million francs in 1946 and the second of 87 million francs in 1947. This advance was, however, quite insufficient to cover the sterling area's financial and trade deficit with Switzerland. The British Government had therefore to pay gold for the resulting deficit. These gold payments were in 1947 very considerable. In view of the fact that Great Britain is at present in a difficult situation as regards the balance of overseas payment, it was not surprising that the British Government asked the Swiss authorities for a re-examination of the

bilateral relations. Their main aim was to bring payments between Switzerland and the sterling area into balance during 1948 and so to avoid further losses of gold.

The Swiss delegation agreed to this principle. They had to make this concession as a friendly gesture in view of the precarious British financial situation. It is obvious that Switzerland as well as all other countries have only to gain and nothing to lose, if the British situation is made easier. Should the difficulties of the United Kingdom increase, it would help neither Switzerland nor any other friendly countries, but only render more difficult the bilateral economic links. It was therefore not an unexpected gesture for Switzerland to agree to this equilibrium in order to avoid further British gold losses.

The results of the negotiations which were not altogether easy are in our opinion very satisfactory.

A balanced budget was agreed on roughly the same lines as in the previous year. This means that Swiss *exports of goods* will be maintained or even slightly increased in value in comparison with 1947. Exports to South Africa are as will be shown later, not included in this figure. The Swiss delegation obtained for the first time a minimum list of import quotas into Great Britain for so-called "non essential" goods. This inclusion of non-essentials, imports of which were until now very difficult must be considered as a considerable success.

In the sector of the Swiss *invisible exports* all traditional items have been maintained. The relevant



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provisions in the agreed minute guarantee that the financial transfers can be continued on the liberal scale which was in operation until now.

A special amount has been set aside for the *tourist traffic*, which will be resumed as from the 1st May, 1948. — All the figures agreed upon have been arrived at after careful examination of all circumstances. The figures are, however, not firm commitments, but only estimates for the ascertainment of the balance of payments. It is understood that both Governments would do their best to facilitate the implementation of the respective import and export programmes and to encourage the development of trade at the highest possible level.

It has been further agreed that representatives of the two Governments will immediately consult together to see what measures will be necessary, should trade and financial relations not run in accordance with the budget figures.

Three particular points deserve special mention, namely trade with South Africa, the question of the transit finance and the tourism.

South Africa :

Swiss exports to and imports from South Africa are not included in the budget. There exists a special monetary agreement between Great Britain and South Africa whereby South Africa has to deliver gold to Great Britain to offset any hard currency deficit shown between South Africa and third countries. Swiss exports to South Africa amount approximately to 80 million Swiss francs per year, whilst imports are quite modest: about 10 million Swiss francs yearly. The deficit of 70 million or whatever it may be, has therefore to be covered separately in gold by South Africa.

Transit Finance :

These transit payments are payments which come from sources outside the sterling area and pass through London to Switzerland. For example: Argentine has issued some sterling loans of which some shares are held by Swiss residents. When the Argentine Government repays these sterling loans, they have to pay Argentine pesos to London as a banking centre and the London bankers have to pay the various creditors in the different countries in their own currency. This transit finance is, however, not a kind of payment which is a result of the British-Swiss economic relations, but is the outcome of London's character as international banking centre. There is, therefore, no justification that payments of Swiss francs of this kind should be charged against the budget and consequently reduce other Swiss export possibilities. They will have to be settled against gold.

The British delegation have accepted the Swiss point of view in both these questions concerning South Africa and transit finance.

Tourism :

Under the terms of the Agreement, a sum of 116 million Swiss francs (against 120 million Swiss francs in 1947) has been set aside to cover the requirements of British *holiday travellers* to Switzerland during summer 1948 and winter 1948/49. This is a yearly quota and the Swiss Authorities received the assurance that no new travel ban will affect this bilateral agreement. The fact that the agreement concerning tourism has been reached is a highly satisfactory outcome of the talks. It is a fact that this British concession —

and a concession it is — would never have been granted if Switzerland had not first accepted the principle of a balanced budget.

According to present regulations the basic allowance for travellers from the U.K. is £35 for adults and £25 for children under the age of 16. It was to be expected that the British authorities would not operate the control of this tourist quota. They have indeed asked the Swiss to carry out this not very agreeable task again. This will be done, but under the guidance of a *Joint Anglo-Swiss Committee*, which has to bear full responsibilities for all measures. This committee is a bilateral one, and we hope that it will silence further newspaper attacks, whereby we have to shoulder all the blame where tourist restrictions are involved. On the other hand, the British authorities wanted to be represented in this committee as it has to deal with the British franc holdings and it is quite easy to understand that they wish to have a say in the way how their own francs are spent.

A new announcement concerning tourist travel to Switzerland will be made in the press as soon as the British Foreign Secretary, Mr. Bevin, announces in Parliament the lifting of the travel ban to several countries. (This announcement has now been made—Ed.) Let me tell you, however, already now that *monthly* quotas will be allocated for tourism. As last year, each traveller has to obtain an authorisation from the Authorisation Office Application forms are not yet available, but will be printed in the next few days. Considering the rather modest allowance of £35 per person, it has been agreed that the voucher system as applied last year, will be discontinued. In

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general, payments will be made in Switzerland in two instalments, namely, by means of an initial payment not exceeding the equivalent of £15 on arrival in Switzerland, the balance being paid not earlier than seven days after the initial payment. The total amount available for tourist travel will be divided between independent travellers and travel agencies in a fair way and on the basis of past experience. Particulars of these new arrangements will be published in due course.

A point which ought to be mentioned in the financial section concerns the allocation of funds to British residents for stays in Switzerland for educational purposes. The Swiss delegation expressed the hope that the allocation of Swiss francs would be resumed in accordance with the practice followed prior to the 1st October, 1947. The United Kingdom delegation regretted, however, not being able at present, to convey any decision to the Swiss delegation, but they promised to inform their Government fully of the Swiss delegation's views and to give a definite answer later on.

A last word to a letter published in the SWISS OBSERVER Editor's Post-Bag on the 27th February and considering it "strange that the Swiss Government should be so anxious to foster the tourist traffic at the expense of the export industry." He adds that "Hotel Trade is no doubt an important part of our Swiss economy, but surely not *the* most important one." The writer of this letter does apparently not see eye to eye with the Swiss negotiators.

First of all, it should be made clear that the Swiss authorities never considered the "hotel trade" as the most important part of our Swiss economy.

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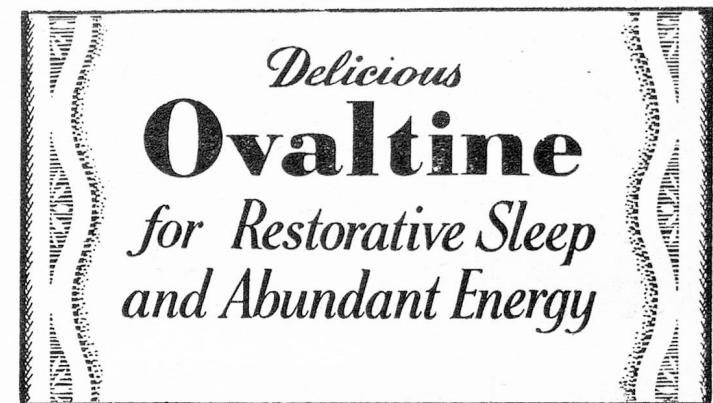
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Furthermore, it has always been the case that the trade and financial agreements between Switzerland and third countries have had to form the basis for all sectors of Swiss economic life. It is not possible, and has never been suggested, not even by the Swiss export industry, to allocate all funds available within existing agreements to exports of Swiss goods.

Tourism is indeed a part of the Swiss economic structure as well as banking and the Swiss Government has to take the necessary steps in order to give an equal share to each of our economic sectors. As the available funds — as is the case between the sterling area and Switzerland — are limited, it is the duty of the Government to divide the cake into fair parts. Switzerland is a land of minorities, not only of political, religious or linguistic minorities, but there are also economic minorities. Switzerland gives here, as in all other sections of life, due respect to these economical minorities. The most important part of the budget has been allotted to the exports of Swiss goods, and quite rightly allotted. But it is equally fair to give an equitable share to the other parties of our national life, and nobody would think of excluding tourism. The question is therefore only, what *quota* should be reserved for tourism. This quota in the new British-Swiss agreement is entirely in proportion to the place which tourism occupies in Swiss economic life.

It is therefore quite unfounded to state that tourism with its allotment is considered more important than Swiss export industries and it is equally unfounded to declare that tourism is made possible at the expense of the export industries. May I add, moreover, that in all Swiss delegations, there is always a representative of the Swiss export industries, who defends most ably the interests of his side."

The speaker on resuming his seat received a hearty ovation from the entire gathering.

The President then called on Monsieur Charles Weibel, who said :—

"Let us, to begin with, briefly review the situation on the commercial sector as it existed up to the recent arrangements. During the negotiations which took place in March 1946 in Berne and those held last year, it had only been possible to lay down certain guiding principles on the exchange of goods, but in most cases without any specific figures or quotas. In fact, as you may well know, the British Government has, during the year immediately following the war, shown some reluctance to undertake definite obligations in this field, for instance, by opening quotas and establishing lists of commodities. Their point of view was that

during a period of reconstruction, it was necessary for the United Kingdom to maintain full liberty of action and to adapt themselves to the prevailing conditions according to the circumstances of the moment. There was also some reluctance under the principle of non-discrimination, which might have led to a precedent detrimental in the negotiations with other countries. Now, however, it has been possible, for the first time, to discuss in detail a number of commercial problems essential to the economic structure of the two countries.

As a preliminary remark, let it be noted that if imports and exports of the Sterling Area as a whole have been taken into consideration for the establishing of the budget, the recent trade discussions in the main refer only to trade between the United Kingdom and Switzerland. This said, let us first of all examine what has been arranged in respect of exports of United Kingdom goods to Switzerland. The basic principle, which applies to the Sterling Area as a whole, is that Switzerland will do everything possible to admit goods of British origin and of the other Sterling Area countries and that, on their part, the Sterling Area countries will endeavour to increase their shipments to Switzerland. As we have seen, this has indeed a direct bearing on the total volume of Swiss export possibilities to the Sterling Area as a whole; the British authorities have therefore undertaken to communicate to the authorities in the Dominions and Colonies that it would be desirable to promote exports to Switzerland as far as possible, informing them at the same time of the agreed programme for Swiss exports which will now become available to the Sterling Area.

Each of the two delegations submitted a list of goods for *exports from the United Kingdom to Switzerland*. The British delegation presented the list of goods which they think it will be possible to export to our country. The main items on this list are motor-cars, machinery, cotton yarns and cotton manufactures, woollen and worsted yarns and manufactures, iron and steel and manufactures, etc. It has to be noted, however, that this list is to serve only as an indication, and does neither put the United Kingdom under an obligation to export the goods enumerated therein nor Switzerland to buy them. Nevertheless, this list has proved essential in the sense that it has helped to determine the budget figures having regard to exports from the United Kingdom to Switzerland. The Swiss delegation, on their part, presented a parallel list enumerating the principal goods of United King-

dom origin which our country would need during 1948. This list contained in particular coal, iron and steel and various kinds of seeds. The British delegation was unfortunately unable to satisfy all our requests. Whilst Switzerland had asked, for instance, for 150,000 tons of coal, it has so far only been possible to obtain 80,000 tons. However, it may be that this quantity will be increased during the course of the year if British production develops in a satisfactory manner. In the iron and steel sector, Britain will only be able to supply a small part of our needs. On the other hand, our requests for seeds will, on the whole, be satisfied. This is thus the situation as regards exports from Great Britain to Switzerland.

Let us now consider the *export of Swiss goods to the United Kingdom and the other countries of the Sterling Area, South Africa excluded*. The budget provides for this purpose an amount representing about twice the value of the average exports realised in the years 1936, 1937 and 1938. If, therefore, the provisions concerning the other items of the budget can be realised, the situation will not be unfavourable for the Swiss exporters. However, the two delegations realised that it was necessary and wise not to make use of the amount in question from the start but that only 75% should be freed in quarterly instalments, except for the United Kingdom quotas agreed, which are to be liberated entirely. 75% of that sum corresponds to one and a half times the value of pre-war exports and represents grosso modo the value of Swiss exports to the Sterling Area during last year. But it is to be hoped that it will be possible gradually to release the whole of the quota.

The discussion proved extremely hard as regards exports from Switzerland to the United Kingdom. Until now, the Board of Trade had not granted any definite quotas except for watches covered by a special agreement, for shoes and for Token Imports. Therefore, it is understandable that a long exchange of views was necessary when the Swiss requests for quotas, which covered 25 items, representing the main traditional exports were submitted. The Swiss delegation had, in a general way, based these requests on the average value of exports during 1937 and 1938. These requests were therefore extremely reasonable, if we take into account the increase in prices since before the war. However, the Board of Trade saw great difficulties in acceding to all our wishes. First of all, their desire to respect non-discrimination, as mentioned before, made it difficult for them to grant us quotas

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which would cause a precedent. On the other hand, as you know, British industry is still subject to considerable restrictions. The British authorities were therefore reluctant to allow imports of goods which could be produced by the home industry but which the general economic position of the country does not permit to manufacture for the moment. Nevertheless, the British delegation made a real effort to meet the most important Swiss desiderata and it was fortunately possible to approach the two points of view. It is thus that the sum of the quotas granted by the Board of Trade increased appreciably and, furthermore, the amount provided could be divided amongst nearly all the goods enumerated on the Swiss list, which comprises especially textiles, chemicals and pharmaceutical products, certain apparatus, etc. Moreover, it will be possible in the course of the year to apply for special import licences up to the sum representing the difference between the quotas granted by the Board of Trade and our total requests.

Under these circumstances, the way was clear for the minutes of the discussions to be signed by the heads of the two delegations. I deem it useless to enter into details as to the measures to be applied to implement the agreement and, therefore, limit myself to mentioning that it was decided to administer part of the quotas by the Swiss authorities, whilst the others would be managed by the British authorities, thus allowing them to grant import licences and leaving it to them to distribute the quotas amongst importers. General instructions have just been addressed by the Federal Division of Commerce to the Swiss trade associations who are to fix their members' quotas in those cases incumbent on Switzerland.

I would like to mention also that the Token Import Scheme could be maintained for 1948 on the same basis on which it functioned last year. The proportion of 20% is preserved and, moreover, certain adjustments as applied for by Switzerland may in the course of the year be considered.

In conclusion, it seems possible to say that the result of the negotiations in the commercial sector marks a progress in comparison with the previous state of affairs as, for the first time, quotas for certain traditional Swiss exports have been fixed. This said, it is quite certain, however, that the situation is not as bright as it could be from various angles. In particular, it cannot be dissimulated that the complete fulfilment of the programme of Swiss exports depends in the first instance on the amount of Swiss francs which the Bank of England will be able to collect from British exports to our country. It is thus to be hoped that the export drive of the Sterling Area will achieve the contemplated aims, so that our industry can maintain and, if possible, increase its deliveries to the United Kingdom and the other countries of the Sterling Area, strengthening thereby our commercial relations with countries dear to us."

Mr. Weibel's words were cordially applauded, and both speakers then answered numerous questions put to them by the audience, who had followed their talks with keen interest. The Chairman, on behalf of the meeting, expressed thanks to the two representatives of the Legation for having provided an extremely interesting and instructive evening, which was heartily endorsed by all present.

W.B.

ROBERT BOOTHBY, M.P.,
at the
CITY SWISS CLUB.

As at the previous meeting, the City Swiss Club, had again a prominent politician as its principal guest at the Monthly Meeting, on Wednesday, March 17th, 1948, at the Dorchester Hotel, Park Lane, W.1.

Mr. R. de Cintra was in the Chair, and there were about a hundred members and guests present.

In opening the Meeting, the President extended a hearty welcome to the guest of honour, Mr. R. Boothby, M.P., and Monsieur A. Escher, Swiss Chargé d'Affaires. He announced that there would be a "surprise item" in store for the gathering, and to everybody's amazement three very young Ladies, dressed in Swiss costumes appeared each one carrying a small accordion. After a neat curtsey towards the top table they played with much gusto a number of Swiss songs and dances which were very much appreciated by the company.

Breaking one of the rules of *etiquette*, I put a number of indiscrete questions to the youthful performers, from which I gathered that they are the daughters of Mrs. Ammann-Weber, and that their respective ages were 8, 9 and 10.

They sang, yoddled and played to their heart's content with great perseverance, true to the Motto: "J'y suis, et j'y reste." But the time was pressing on, and they had to make their exit, which they made very charmingly amidst the applause of the members.

Mr. de Cintra then called on Mr. Boothby, who, on rising, received a hearty ovation. The subject of his address was, "United Europe," a theme which is of imminent interest, and is occupying the minds of both politicians, statesmen, diplomats and the general public.

The speaker painted rather a gloomy picture of the present international position, declaring that only by a United Europe, aided by the United States of America and by the Commonwealth of the British Empire, the danger of a communistic preponderance, and a third world war could be prevented.

Dealing with Swiss neutrality, he said, that as much as same was justified and desirable, there might come a time when our country would have to make a decision, and break with traditions which in the past were thought as inviolable.

Mr. Boothby's *exposé* was followed with great interest, and although one may not see eye to eye with all that he expounded, it was nevertheless of interest to a Swiss community to listen to a politician who plays an important role in the political sphere of this country.

The address of the principal guest of the Club was duly acknowledged, and the President, in thanking him for his *exposé*, closed the Meeting.

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