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BRITISH-SWISS ECONOMIC RELATIONS.

By E. de GRAFFENRIED,

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Economic relations between Switzerland and the United Kingdom have in the course of time reached a remarkable degree of diversity and specialisation, both in trade and in the large group of invisibles such as insurance, licence agreements, investments, etc., whilst British tourists ever since the discovery of our mountains have held a place of their own. If for trade, the *pioneer period* lies largely around the middle of last century, which witnessed Switzerland's rapid progress in industrialisation following the adaptation of the fundamental inventions of that period, early beginnings of Swiss exports of musical boxes, watches, silk goods and ribbons to the United Kingdom can be traced as far back as the 17th century. At an early date too, the basis for a large overseas trade was laid, with Swiss exports of cotton goods, for instance, going as far as India, the Far East and Africa in exchange against raw materials and colonial produce, partly through the intermediary of the City of London, but leading also to the establishment of Swiss merchants' firms overseas. Large communities of Swiss emigrants to all parts of the Empire followed, as well as an important transit trade, aided and inspired by the policy of Free Trade and the free monetary system which characterised this epoch.

It is true that, at first sight, the United Kingdom and Switzerland in many respects show a *similar economic structure*, both depending on imports of foodstuffs and of raw materials and, in return concentrating on the production of manufactured goods for export; the two countries vying with each other in industrial progress and in the securing of foreign markets, the United Kingdom helped by a vast merchant fleet and its special links with the Dominions and other territories overseas. Yet, despite this natural competition, there has always been ample room for the exchange of specialised articles particularly in the field of machinery and textiles, but also for a large number of other products. Besides this, there have been joint efforts in research and development as in the case of condensed milk, chocolate and chemicals, as well as a considerable processing and re-export trade, in fashions and textiles for instance, whilst the United Kingdom likewise takes a prominent place as a supplier of semi-manufactured goods for various Swiss industries. In a number of cases, there further ensued a net of reciprocal licensing and royalty agreements. On the other hand, and with special significance to-day, there is Switzerland's important trade with the other countries of the Sterling Area, many of whom have become substantial buyers of Swiss machinery and of consumer goods of all kinds, as well as suppliers in foodstuffs and raw materials. Parallels between Switzerland and the United Kingdom resulting from a similar economic outlook, are also to be found in their traditional desire for the largest possible extent of unhampered trade exchanges in the widest sense, overshadowed as these are to-day by the aftermath of war.

This classic period was sadly interrupted by the *last war*, when Switzerland became a "land-locked island," all the more vulnerable as she possesses no raw materials whatsoever except hydro-electric power and as the country depends to more than 65% of its

food requirements on imports. Trade found itself drastically reduced, although a small flow of essential Swiss exports to Britain was under greatest difficulties maintained throughout. At the end of the war, with the far-reaching changes it had brought about, on Britain's side as a result of her unprecedented efforts and sacrifices, the two countries were faced with entirely new problems, especially from the currency point of view, which made it necessary to arrive at closer consultations and new arrangements. Switzerland, whose stocks had been severely depleted through the years of isolation, was in urgent need of new sources of supply for various commodities, offering at the same time a market for a wide range of manufactured goods, whilst on the other hand depending for her existence on new outlets for her traditional production. On March 12th, 1946, a Monetary Agreement was concluded for a three years' period, which thus still constitutes the financial framework; incidentally, this was the first trade agreement between Switzerland and Great Britain since the Treaty of 1855 containing the "Most Favoured Nation Clause." Under these arrangements, Switzerland agreed to certain payments' facilities, in order to help the resumption of trade with the Sterling Area as a whole, similar to credit arrangements concluded with a number of other countries as a means of facilitating reconstruction during the transition period. Aided by this Agreement, trade in spite of world shortages in various staple commodities, again reached a substantial level. Swiss imports from the Sterling Area amounted in 1947 to Sw.Frs.450 million, Swiss exports to Sw.frs. 370 million; the respective figures for trade with the United Kingdom being

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Sw-frs. 320 million for Swiss imports, of which Sw-frs. 50 million for motor cars alone and Sw-frs. 70 million for textiles and textile materials, and Sw-frs. 115 million for Swiss exports, watches ranking first with Sw-frs. 40 million, followed by machinery and instruments with Sw-frs. 25 million, textiles and chemicals each with Sw-frs. 12 million and shoes with Sw-frs. 4 million.

For 1948, a programme has recently been drawn up in joint consultations, under which reciprocal payments for trade and other services are to be brought into balance. Switzerland is hoping to import from Britain a number of commodities such as coal, cotton yarn, steel products, as well as increased quantities of foodstuffs and raw materials from overseas. At the same time, Switzerland is prepared to admit imports of manufactured goods under the United Kingdom export drive, in order to arrive at the highest trade level possible under to-day's conditions. In return, these arrangements provide for Swiss exports to the Sterling Area approximately on the lines of the 1947 level, as well as for the maintenance of invisibles such as royalties, interest and profits on Swiss investments, etc. Tourist traffic from the United Kingdom to Switzerland was likewise reinstated as from May 1st, 1948.

Swiss exports to the United Kingdom are in many cases directly affected by the United Kingdom's economic position, both as regards the general policy on imports and the restrictions still applying to British home industry. Apart from substantial British orders for machinery and capital goods for reconstruction, import quotas into the United Kingdom could however be set aside for a restricted number of traditional Swiss consumer goods, as part of the above arrangements. Large sections of the Swiss population indeed depend for their livelihood on adequate export possibilities in all lines of production, the more so as various regions have specialised in particular articles, in some instances still on a home craft basis. For certain other goods, the Token Import Scheme was renewed which, although at present on a very modest scale, is intended to assist in resuming pre-war relations. The admittance of various agricultural products such as fruit, fruit concentrates and cheese is likewise being considered. In spite of the difficulties of the day, it is

thus hoped that a basis has been found which, notwithstanding the limitations inherent in the general situation, will prove of mutual benefit for both partners.

Prospects for the future trade relations, will of course largely depend on the progress of the general European recovery, and on the chances of an improvement in the system of international exchanges, in which both countries are vitally interested, due to their general economic position and their respective dependence on world trade. With the object in view, Switzerland, ever since the end of the war, has shown her willingness to assist in economic recovery and to play her part in contribution in the solution of international economic problems to the best of her ability.

(Swiss Industry and Trade)

July Number.

BANK QUEUE.

The sight of an all-night queue outside the Offices of a London bank is an unusual one but still more unusual is the opening of a bank's counters to the public at 5.30 a.m. This phenomenon was, however, seen last Friday at the West End Offices of the Swiss Bank Corporation in Regent Street, when applications could be made at the Swiss Authorisation Office for "basic travelling allowance" for visitors to Switzerland. It was found that a queue of some twenty people were already forming at 4 p.m. on the previous afternoon and appreciating the great inconvenience to which the applicants were likely to be put by waiting for many hours for the authorisation card which is the essential preliminary to an allocation of Swiss currency, the managers of the Bank and of the Authorisation Office agreed to open their doors at 5.30 a.m. by which time some 300-400 people were waiting. In so far as transport from their homes allowed, the staff attended at a very early hour and by the afternoon it had been found possible to satisfy every applicant.

This gesture of willing service was warmly appreciated by the many prospective travellers whose enthusiasm to visit Switzerland has not been damped by an all-night wait in the London streets.

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