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IS SWITZERLAND ENTITLED TO STRATEGIC RAW MATERIALS.

(The following article is reprinted from the January 13th issue of "THE STATIST," by courtesy of the Editor.)

Defining the attitude to be adopted by the Swiss delegation at the next session of the O.E.E.C. beginning in Paris on January 12th to grapple with the formidable problem of the allocation of strategic raw materials now in short supply, but, in view of the exigencies of rearmament, likely to be in chronically heavy demand, the competent Swiss authorities declare that Switzerland asks for no preferential treatment, but expects, however, that she will be allocated the quantities of raw materials to which she is entitled by the merits of her case.

This is intended to mean that the claims of Switzerland will be based absolutely on her capacity to promote the welfare of Europe as a whole under existing circumstances, the particular interests of Switzerland as an integral part of Europe being treated as of secondary importance whenever available supplies are insufficient to cover the needs of all.

Switzerland herself possesses no natural sources of raw materials of any kind, unless hydro-electric power as a source of energy is regarded as a kind of raw material. Switzerland lives mainly by processing imported raw materials. Quite one-third of her total production of all kinds is exported. To enable a given quantity of raw material to give employment to the greatest possible number of persons Switzerland has always concentrated on the production of commodities of the highest quality, for which, until now, there has nearly always been a brisk demand. So Switzerland is able to pay cash for all she needs to import. As long as trade serves only purely economic ends no insoluble problems arise. But if, owing to rearmament on the vast scale now contemplated, the supply of certain raw materials reaching Switzerland diminishes, the amount she will be able to export will shrink.

If that happened the rate at which rearmament in Europe could proceed would be adversely affected.

Since World War II ended the chief contribution of Switzerland to the rehabilitation of Europe has been her export of highest-grade capital goods like machinery, tools, apparatus, precision instruments, electro-technical equipment, power stations, locomotives and vehicles for transport, the demand for which has until now been greater than the supply. Output is already at a maximum. All available skilled labour is usefully employed, additional workers being imported in increasing numbers. Exports of capital goods can be kept at the present high pitch only if the necessary raw materials are made available.

Among the materials in short supply are coal, coke, liquid fuels, steel, copper, zinc, nickel, tin, cotton, wool, rubber and sulphur. In 1949 prices were falling. Even such a high authority as the United Nations Economic Commission for Europe predicted serious over-production of coal and steel before Marshall aid was due to end in mid-1952. Stocks were allowed to decline. Attempts to replenish the reserves had just begun when the conflict in Korea broke out. Since then there has been increasing difficulty in ob-

taining supplies. Almost no deliveries of non-ferrous metals, for example, have reached Switzerland in the last six months.

Even the export of consumer goods from Switzerland will be of vital significance to Europe as long as the period of intensive rearmament lasts. People will have more money to spend but find less goods to buy. This must result in inflationary pressure, to cope with which the supply of consumer goods must be kept as abundant as possible. Switzerland is an exporter of high-grade consumer goods like watches, textiles, leather goods, footwear, pharmaceuticals, cosmetics, chocolate and cheese.

If Switzerland is to be of maximum usefulness to Europe as a source of supply of both capital and consumer goods she must obtain at least the same quantity of industrial raw materials as heretofore.

But, like all the rest of Europe, Switzerland is now making an all-out effort to strengthen her national defences. Already, although her population is only 4.7 million, Switzerland is the strongest military Power in Western Europe — not relatively but absolutely. Throughout World War II Switzerland remained fully mobilised. She has never disarmed. Her national defence forces have been kept at full strength. About one-quarter of the Federal budget has been spent, year by year, in keeping the defence forces up to fighting strength. If the emergency arose Switzerland could put 500,000 men, fully trained and fully equipped, into the field within 48 hours.

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Owing to the advance of military science and the development of technology in post-war years additional equipment is needed. For example, as the consumption of mineral oils has greatly increased, present storage space for liquid fuels would not hold more than the normal supply for three to four months. Great oil reservoirs to hold 150,000 tons of oil are now being built in the Alps, and provision of additional accommodation for 100,000 tons is planned. To do all that is required the Swiss Federal Government has sanctioned exceptional expenditure of Fr.1,400 million, of which Fr.720 million is to be spent in 1951. By way of comparison, revenue from the ordinary budget of the Confederation in 1951 is estimated at Fr.1,577 million.

To carry out this programme of national defence the corresponding quantities of raw materials over and above that required for normal civilian demand would have to be made available. But as Switzerland has never been disarmed the amount of materials needed for strengthening the national defences would be proportionately less than in other European countries.

As Switzerland still clings tenaciously to her traditional policy of complete neutrality the question is often asked, what use to Europe would the military strength of Switzerland be if the Swiss Army remained inactive? What justification would there be in allocating to Switzerland any share of strategic materials in short supply? The opinion of General Eisenhower on that point would no doubt be interesting. No strategist, however, would be likely to write off the military strength of neutral Switzerland as useless to the rest of Europe. If Switzerland were attacked her neutrality would end. Every Swiss soldier and every Swiss gun would then count. In fighting and manœuvring among the wild Alpine fastnesses, where the Swiss are at home, the Swiss Army would be second to none. As long as Switzerland was not attacked, or, if she were, until her Alpine army was shattered, the way from north to south would be effectively barred to any ground army, providing the Swiss Army was equally well armed and equipped.

Allegations are frequently made in the Press of other countries that raw materials and industrial products of high military value, supplied to Switzerland on the explicit understanding that they were for her own use, have been diverted to other countries and ultimately reached destinations in Eastern Europe. The competent authorities in Switzerland admit that

such transactions have occurred. Persons more concerned with making private gain than with national security have broken the engagements entered upon. No steps were taken by the Swiss Government to protect them from the consequences. Goods bought in the U.S.A., for example, were first consigned to Switzerland, bonded at the frontier and transhipped to other countries without coming within Swiss jurisdiction at all.

That can no longer happen. As from December 15th, 1950, all import and export of materials in short supply or products of military significance are controlled by permits. The same system is now in vogue as was put into operation on December 8th, 1939. Before an import permit is issued steps are taken to see that the raw materials will enter Switzerland immediately on reaching the frontier, without being bonded. Unprocessed materials cannot be exported at all.

During World War II Switzerland insisted that all trade with other countries should be done through a clearing, the effect being, in practice, an exchange of goods and service against goods and services. Not only that. Switzerland insisted that "the peace-time structure of trade should be respected." That is to say, in principle, that no commodity would be supplied in greater quantity than in time of peace and that the same proportion among the quantities of the chief commodities of trade should be conserved. In practice this meant that no country could obtain machinery, tools, electro-technical equipment and the like without accepting also the usual proportion of other products like watches, silks, ribbons, embroidery, shoes and hat-braid, as far as these were available. None of these goods had any definite military value. Switzerland rejected categorically a proposal of the Balkan countries that, on principle, exchange of commodities should be confined to goods of equal economic utility.

Moreover, Switzerland insisted that invisible trade should also be regulated through the clearing. As most European countries had to make payments to Switzerland to cover interest on debts, insurance premiums, licences and deliveries of electric power, Switzerland thus forced other countries to supply more materials and goods than she gave in exchange. From the outbreak of World War II until the end of 1944 Germany supplied Switzerland with materials — like coal and steel — and industrial products — like chemicals — to the amount of Fr.400 million more

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than the value received from Switzerland. From the total area under Axis control, including the European neutrals like Sweden, which could be reached only by crossing Axis-held territory, the value of the deliveries aggregated Fr.7,100 million and deliveries by the Axis Fr. 5,300 million. Imports from Allied countries during World War II totalled in value Fr.2,000 million, exports to Allied countries Fr.1,700 million. Taking into consideration the high charges for freight and insurance carried by imports from Allied countries it is seen that the quantities of goods exchanged were about equal in value.

Since December 15th, 1950, the exchange of commodities with the countries of Eastern Europe is conducted on a similar basis. By agreements with Czechoslovakia, Hungary, Poland, Rumania and Jugoslavia, reached since World War II ended, part of the proceeds of exports to Switzerland must be surrendered to indemnify Swiss nationals who held investments in industries these countries have nationalised. This reduces Switzerland's deliveries in kind.

Taking all these circumstances into account it is evident that the aggregate amount of strategic materials forming part of all manufactured products delivered to countries of Eastern Europe would be of little practical significance in the rearmament programmes of the Eastern bloc.

Tentative proposals have been made to Switzerland to curtail trade with Eastern Europe in exchange for identical treatment to that accorded Atlantic Pact countries. This proposal Switzerland is unwilling to accept. Official trade statistics show that in 1947, 1948 and 1949 export to the countries of Eastern Europe (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, Jugoslavia and the U.S.S.R.) averaged 8½ per cent. of Switzerland's total export. That is too great to lose, especially as until November 1 many countries, including Britain, discriminated against Switzerland as a hard-currency country. If Switzerland refused to sell machinery and capital goods to Eastern Europe she would no longer be able to sell these countries watches, silks, shoes, embroidery and other consumer goods of no military value.

If the allocation of raw materials were to be made on a strictly war-economic basis it is feared in Swit-

zerland that the liberalisation of trade already achieved would suffer a severe setback. Each country would tend to operate in its own exclusive interests. The trend towards autarchy would revive. Trade would tend to return to barter in various firms.

DEPARTURE OF MR. FREDERIC ROTHENBUEHLER.

As is customary in the diplomatic service all over the world, new people come and old acquaintances go. This time, it is Mr. Frédéric Rothenbuehler's turn to leave the Swiss Legation in London.

Mr. Rothenbuehler came to this country in March, 1946, as 2nd Secretary. He worked first in the legal department and then, for a short while, in the economic division of the Legation. After Mr. de Graffenried's departure in February, 1950, Mr. Rothenbuehler, having meanwhile been promoted to 1st Secretary, carried out the functions of First Counsellor and Chargé d'Affaires. It is in this capacity that he displayed his brilliant qualities. From August to October, 1950, he acted as Chargé d'Affaires a.i., and the way in which he handled matters was highly appreciated by everybody in contact with him — in particular also by His Majesty's Foreign Office. He was in all circumstances a devoted assistant to his Chief, the Swiss Minister, and a loyal servant of Swiss interests. He had many friends in the Swiss Colony, and regularly attended the various functions of the Swiss Societies. He is now transferred to Berne, where he will be given a responsible post in the Commercial Division of the Swiss Ministry of Economic Affairs and will have to assist Mr. Schaffner in economic negotiations with foreign countries.

Mr. Rothenbuehler's place as First Counsellor will be taken by Dr. Erwin Bernath, Counsellor of Legation. Mr. Bernath spent the war years in Japan, and, after being transferred to Berne when the war was over, he worked in the Federal Political Department. We wish him and Mrs. Bernath a pleasant and happy stay in Great Britain.

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