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SWISS ECONOMIC COUNCIL.

Annual General Meeting

Address by Dr. V. Umbricht, Counsellor of Legation.

The Annual General Meeting of the Swiss Economic Council was held on Wednesday, May 20th, 1953, at the Dorchester Hotel.

Mr. H. Oswald was in the Chair, and there were 27 members present. After the minutes were read by the Hon. Secretary, Mr. J. Zimmermann, the Chairman of the Council submitted his report dealing with the activities during the last twelve months. He mentioned that at the last Annual General Meeting which took place on April 25th, 1952, the Council was addressed by Dr. V. Umbricht, Commercial Counsellor at the Swiss Legation, on "Anglo-Swiss Trade and Monetary Position", and by Dr. R. Schüpbach on: "The Prospects of a Swiss National Television Grid".

Three weeks later the Council entertained at dinner the Federal Government Delegation for External Trade, headed by Minister H. Schaffner, who was accompanied by Mr. Bühler, Dr. Böhi, Dr. Stopper and Mr. Matter.

On December 18th, 1952, the Council once again welcomed the Swiss Trade Delegation, and in an informal way discussed with Minister Schaffner, Messrs. Bühler, Rothenbühler and Halm matters relevant to Anglo-Swiss Trade.

The committee met on four occasions and at its meeting on October 18th, 1952, listened to an *exposé* on "Anglo-Swiss Trade and Payments Negotiations" by Dr. V. Umbricht.

In January 1953, Mr. Oswald, in the capacity as Chairman of the Council presented Mr. E. Steiner, his predecessor, with an illuminated address which contained the signatures of members of the Council. The beautifully bound volume bears the date 1943-1953, and the address reads:—

To Our Dear Friend
ERNEST STEINER

in token of our esteem and our gratitude for most valued services rendered during many years as Chairman of the Swiss Economic Council and as a mark of our indebtedness to an inspiring leader, a wise and understanding counsellor.

The Chairman mentioned that the relations with the Swiss Legation in London remained very cordial and he tendered grateful thanks to the Swiss Minister, Monsieur Henry de Torrenté, for his support and co-operation, which he said are much appreciated.

The membership of the Council remains at 43.

Mr. R. de Cintra, Hon. Treasurer presented the accounts which were accepted. Mr. L. Jobin, acted as Chairman *pro tem* during the elections of four members, retiring, in accordance with the rules, from the committee. He thanked the Chairman, and the members of the committee for the services which they had rendered. The retiring members, Messrs. J. Boos, R. de Cintra, C. Fer and E. A. Grau were re-elected. The members then adjourned to an excellent dinner which was served in the Orchid Room, and at its conclusion, Dr. V. Umbricht, Counsellor of Legation, addressed the company on "Convertibility of the pound sterling" saying:—

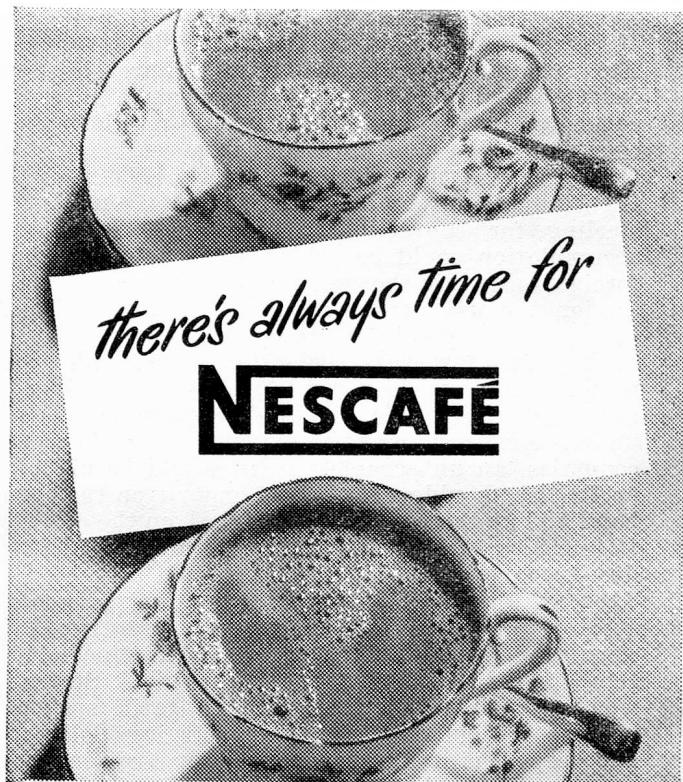
"It has for a long time been the avowed aim of the British authorities to restore to the pound

sterling its original function of world currency — function which it has lost more and more since 1939. The process of making sterling an international and unrestricted means of payment can only be brought to a satisfactory solution if greater freedom of exchange on the international level is attained. This freedom of exchange is currently known as the "free convertibility of sterling" — the right to convert sterling into any foreign currency without restriction. This development must obviously take place in stages as there are manifold difficulties to overcome before sterling can claim to be again the undisputed basis for international transactions. Some of the steps will have to be taken in conjunction with other partners as the liberalisation of exchange always involves two sides; other steps will be initiated individually by each country.

From statements made by the British Government it is already now quite clear that the planned convertibility will, at least at the beginning, be limited to:—

- Non-resident accounts.* All amounts on *foreign* accounts will thus be freely transferable to any destination.
- The proceeds of current transactions.* This specification will exclude convertibility for capital assets belonging to foreign residents and for the so-called sterling balances on external accounts. These balances are mostly residues of British war debts towards foreign countries.

It is clear from these limitations that the Foreign Exchange Control will be maintained and that the



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range of remittances from resident accounts to foreign accounts will in principle not be modified. The same applies to other financial restrictions, like tourist allowances, allowances for education and health purposes, etc., which will not be directly affected by the introduction of convertibility. One result that convertibility will however produce is the abolition of all transferable accounts and of the cheap sterling rates which have so far been in existence.

The paramount problem is how to achieve sterling convertibility. This goal can only be reached if various requisites are fulfilled, the more important ones being:—

1. A healthy internal policy, in particular in debtor countries. This idea had already been formulated at the Commonwealth Conference in December 1952, when all sterling area members agreed to fight inflation, to direct investments into productive channels, and to stiffen the credit policy.
2. Free trade in every direction, and consequently abolition of import restrictions. It would of course make no sense to render sterling convertible if imports into the sterling area were at the same time more restricted and thus sterling receipts of foreign countries reduced. The convertibility of a currency should by definition not lead to a contraction of trade but to liberalisation; otherwise it defeats its own object.
3. It would be highly desirable that other currencies should become convertible at the same time as sterling. This would help to eliminate the quantitative import restrictions not only in one country but in a whole geographical area. It would also reduce the risk that the full pressure of convertibility might fall on one single currency. The result of a multilateral approach to convertibility would moreover consist in a new commercial code in international relations, a code of freedom and unrestricted moves.
4. It is essential that sterling convertibility should not induce foreign countries to accumulate sterling for convertibility purposes. Such an accumulation could be achieved through pushing foreign goods into the sterling area and restricting foreign imports of sterling area products. The sterling earnings of foreign countries would thus be increased, whereas their sterling expenditure would lessen, which would leave them a considerable and convertible sterling surplus. If this undesirable course were adopted by foreign countries, an unbearable burden would be placed on British shoulders: a loss of exports on the one hand and an increased loss of dollars on the other. It is evident that such a development would have disastrous effects.
5. The creditor countries will have to adopt a "good creditor policy" by allowing debtor countries to earn more foreign currencies. This recommendation applies in particular to the United States, who by their protective and high tariff system prevent foreign countries from earning dollars, and keep them in a permanent debtor position. A good creditor policy consists in enabling a debtor country to pay its debts by allowing its goods to compete on equal and fair terms with the native products.
6. An adequate level of the gold and dollar reserves

is of course indispensable for seeing sterling convertibility through. What figure these reserves should attain for the purpose is not quite clear. There is however no doubt that the present sterling area reserves are far from sufficient for such an experiment.

7. Last but not least, a closer collaboration with international organisations can yield sound fruits. This applies in particular to the International Monetary Fund and GATT, which on the one hand can help the countries with convertible currencies by means of a "support fund", and on the other can secure a better trade liberalisation. The nearest sources of dollars in this respect are contributions under the Point Four Programme (US aid programme for underdeveloped territories), from the International Monetary Fund, from the Export-Import Bank in New York, and from the World Bank in Washington.

Whether Great Britain can remain in the present European Payments Union after establishing sterling convertibility seems at the moment very doubtful. It will therefore have to be examined whether EPU can be continued for the non-convertible currencies only.

Although there have been extensive discussions between the British and American authorities with a view to making sterling convertible, no great progress has so far been made. One of the principal reasons for that is certainly the rather disappointing approach of the American Government and Congress to world

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economic problems. They have so far not only shown no signs of reducing tariffs and freeing trade, but refused to accept foreign tenders and foreign competition in America. This will certainly have to change if the monetary resources of the sterling area are to be strengthened. It seems however that we have a long way to go before this desirable modification is granted by the American Congress. No major development in this direction can reasonably be expected in the current year; we must consider ourselves lucky if they occur in 1954.

Although the British authorities cannot be very pleased with the response they have so far met in America, they are nevertheless pushing ahead with their convertibility plans in conjunction with European countries. Discussions to this effect have already taken place with France, the Scandinavian countries, Germany and Belgium, and similar talks will follow with Switzerland, Italy and Holland. Each individual country will be able to examine with the British authorities the full implications of sterling convertibility as well as the repercussions on its own economy. The negotiations with Switzerland were fixed for the 8th-9th June, and have taken place in London. It would however be unrealistic to expect too much of these talks since the Swiss franc is already convertible and since the Swiss authorities will certainly not enforce any import restrictions against British goods once sterling convertibility has been introduced. The problems on the agenda for the Swiss-British talks seem therefore of a rather informative character."

This very interesting exposé of our Commercial

Counsellor was listened to with marked attention, and was followed by a lively discussion in which several of the members took part.

Before closing the Meeting, Mr. H. Oswald, Chairman of the Council, very warmly thanked Dr. Umbricht for his very lucid address.

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SWITZERLAND'S POSITION IN INTERNATIONAL AFFAIRS.

An N.S.H. Lecture.

The next eminent lecturer at a combined Open Meeting of the Nouvelle Société Helvétique and the Anglo-Swiss Society on June 26th, (details see advertisement) will be a Swiss legal expert from Geneva, Dr. Max Habicht, who will speak in English.

He is a graduate of Zurich and Harvard, is practising as barrister and legal counsel at Geneva and New York. He has been a member of the legal section of the League of Nations, diplomatic advisor to the United Nations Relief and Rehabilitation Agency. (UNRA.)

Dr. Habicht is a well-known lecturer and author on International law. He will speak after dinner given in his honour on June 24th by the Parliamentary group for World Federal Government. He will give a lecture at Chatham House on the 25th of June and he has kindly consented to stay over to the 26th for the N.S.H. Meeting. It is hoped that following the lecture and discussion one or two films illustrating the International activities at Geneva may be shown.

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