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LETTER FROM SWITZERLAND.

THE ECONOMIC SITUATION DURING THE FIRST NINE MONTHS OF 1941.

Foreign Trade.

(Lausanne.....)

For the first nine months of 1941 (January to September), Swiss foreign trade, when compared with the preceding years, presents the following aspect:

From January to September
(in millions of Swiss francs)

	<u>Imports</u>	<u>Exports</u>	<u>Excess of imports.</u>
1937	1348,8	917,3	431,5
1938	1178,7	932,2	246,5
1939	1266,2	964,0	302,2
1940	1444,9	929,6	515,3
1941	1475,8	1034,6	441,2

This list enables it to be seen, that Swiss imports, from the point of view of their value, exceeded, in 1941, the level of preceding years. But, when taking into account the considerable increases in prices, the quantities of goods imported have, in reality, undergone a marked diminution: in the course of the first nine months of 1941, Switzerland received an average of about 40.000 ten-ton wagons of foreign produce every month, whereas the average figure for 1938, for example, was 61.000 wagons per month. It may thus be said that Swiss imports have diminished to the extent of about 30%. Exports have slightly increased in value, but this augmentation is extremely modest, if it is compared with the increased prices of imported products. Finally, it will be noticed, that the deficit of the Swiss commercial balance remains important.

In a general manner, it may be stated that, even in her own country, Switzerland must arrange for her industry to meet the needs of war economy: develop the use of electricity in order to counterbalance the shortage of coal, construct gazogene apparatus to replace benzine, of which there is also a shortage, manufacture substitute textiles etc.

This programme sometimes necessitates fairly costly transformation of industrial installations. It does not correspond to the traditional structure of Swiss commercial economy and exchanges. It is thus probable that the present sacrifices present only a provisional interest and that Switzerland, after the war, will have to return to a programme of manufacture more in conformity with her traditions. In fact, Switzerland cannot do without foreign countries and, even during a war period, is anxious to keep in contact with every market. It is significant to remark, in reference to this subject, that the Swiss Office for the Development of Trade, an institution, the duty of which is to develop foreign trade, insisted, at its recent general assembly, on the necessity of maintaining this contact. The participation of Switzerland in foreign Fairs this autumn, whether in Europe (Leipzig, Vienna, Prague, Bratislava, Lyons, Marseilles) or in America (Toronto, Sao Paulo) has the same significance.

To show the temporary character of certain measures which Switzerland is obliged to take at the present time, let us mention, for example, the agricultural extension plan. During the Autumn of 1940 and the Spring of 1941, the cultivated ground surface in Switzerland was increased from 225.000 to 275.000 hectares. The programme for the Winter of 1941 provides for a further extension of 35.000 hectares, so that by the Spring of 1942 Switzerland will have 310.000 hectares of land under cultivation. In a country, one-third of which is covered with mountains, glaciers and unproductive soil, this repre-

sents a great effort, which has necessitated the diminution of the number of cattle.

The problem of prices.

At the present moment, the problem of prices greatly pre-occupies the Swiss Authorities and the public. In order to determine to what extent salaries should be adapted to the present increase of prices, the Federal Department of Public Economy requested the Economic Research and Price Study Commission to examine this problem. According to the conclusions of this commission, the increase is principally due to factors of foreign origin and particularly to the increase in the cost of transport. But, it has also been admitted that a part of the increase has been caused by monetary influences. The Confederation has liberated a considerable amount of purchasing power, which has not been sufficiently reabsorbed through the medium of taxation and borrowing.

Under these conditions, it is only just that the movement of salaries should follow the increase of prices to the extent that this is due to the monetary factor. According to the estimate of the committee of experts, the present increase of prices, which amounts to about 30% since the beginning of the war, justifies an increase in salaries of from 10 to 15%. It is obvious, that it is not a question of a rate applicable uniformly to all sections; these figures are taken as averages; in addition, it is necessary to take into account the special situation of each branch of activity.

Payments between Switzerland and foreign countries.

Another question, which is in the forefront, is that of payments between Switzerland and foreign countries. Three methods are in existence at the present time:

1. Settlement by compensation (clearing)
2. Payment by means of securities
3. Transfer of gold.

Present-day circumstances incline to the giving of an ever increasing importance to the first of these methods. In 1940, more than two-fifths of Switzerland's foreign trade was done with countries making their international settlements through the clearing. The settlement of balances often presents difficult problems. As far as possible, surplus balances are liquidated by means of a commercial policy, i.e. purchases from certain countries are either increased or decreased. When this method cannot be applied, the settlement of balances is carried out either by gold transfer (the Balkan countries), or by mobilization of credit (Germany and Italy), which only results, however, in a temporary solution of the question.

For countries with which Switzerland has no clearing agreement, payments are made by securities, especially Swiss securities and until last summer in dollars.

The blocking of Swiss credits by the United States has created new difficulties in the domain of international settlements. If the dollar is still used to pay for Swiss purchases of goods in the United States and in certain overseas countries, it is not so in other countries, which do not wish to accept a security, the disposition of which is not absolutely free. For these countries, settlement is made by means of gold transfer, a method of payment which has been resorted to more frequently of late.