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ung und Schulung. Anderes wird gering geachtet, verworfen. Und so kann es scheinen, dass der, der an alten Wertmassstäben festhält, veraltet sei, von der Entwicklung überholt, auf einem Stumpengeleise, das nirgends hinführt. Doch was wir miterlebten in den letzten 25 Jahren, das ist eine kurze Phase der geschichtlichen Entwicklung, und wenn der Historiker seinen Zeitgenossen etwas voraus hat, so ist es die Gewöhnung, in grossen Zeiträumen zu denken. Er weiss aus geschichtlicher Erfahrung, dass ruhigere Jahre kommen werden, in denen wahrhaft Wertvolles, das verschüttet war, wieder zum Vorschein und zur Geltung kommt. Und dies können wir mit voller Gewissheit sagen: es wird auf die Dauer kein Europa geben ohne eine Verständigung seiner verschiedenen Völker, ohne Rechtsnormen, die der Gewalt Schranken setzen, ohne Freiheit, die ein natürliches Bedürfnis des Menschen ist, ein Urtrieb, der nicht er stirbt. Die Welt wird die Ordnungselemente, des Rechtes und der Sitte, auf denen unser Staat beruht, ihrerseits nötig haben. Die Schweiz, die ihrem Wesen treu bleibt, sondert sich nicht von Europa: sie wächst seiner Friedensordnung entgegen. Auch die Schweiz, die forscht und erfindet, arbeitet, produziert, exportiert! Manchem unter uns wird vor allem die wirtschaftliche Lage des Landes Sorgen bereiten, und die Ueberlegungen grundsätzlicher, geistig-politischer Art, die wir hier vorangestellt haben, vermögen diese Sorgen vielleicht nicht zu zerstreuen. Wir begreifen dies und fühlen es mit. Wie viele sind zu Verlust und Schaden gekommen und kämpfen um ihre materielle Existenz, — diejenigen in erster Linie, die auf Aussenposten standen, nicht in Schutz und Schirm der Schweizergrenze! Im ganzen aber: hat nicht eben diese Kriegszeit die Leistungsfähigkeit schweizerischer Wirtschaft geradezu glanzend erwiesen? Finanz, Technik, Verkehr, Landwirtschaft und Industrie, — ihnen verdankt die Schweiz zum guten Teil das internationale Ansehen, das sie geniesst. Wird dieser Faktor auch im umfassendsten Wirtschaftsverband je gleichgültig werden? Man kann die Türen von aussen verriegeln, die Organisation gewaltsam stören, die Arbeit lähmen; aber die organische Kraft unseres volkswirtschaftlichen Körpers ist ungemain frisch und energisch. Auf sie können wir vertrauen. Verlöre sie aber nicht ihr Bestes, wenn sie nicht mehr eine besondere, eine schweizerische Kraft wäre, herausgerissen aus dem Ganzen unseres selbständigen Staates, seines Bodens, seines Volkes und seiner sozialen Schichten? Als schweizerische Wirtschaft hat sie sich — dies weiss der Historiker, und der Praktiker fühlt es — bewährt; gleichgeschaltet, eingeordnet — so vorteilhaft die Grossordnung schiene — verlöre sie von ihrer Schwungkraft. Und auch dies sehen wir: dass diese Leistungsfähigkeit in unserer Zeit gewachsen ist und dauernd wächst; Verständnis und Unterstützung des Staates kommen zu Hilfe, das Bewusstsein der unlöslichen Verbundenheit mit der Wissenschaft, auch der reinen, nicht unmittelbar auf die Praxis bezogenen Forschung, mit dem ganzen Lebensgefühl von Staat und Volk stellt sich immer allgemeiner ein.

Wir haben freilich keine Versicherung für die Zukunft; kein Volk hat dies, das Risiko gehört zum Leben. Aber wir haben für unsere politische und materielle Existenz einen wohlbegründeten Glauben begründet im Bewusstsein unserer Kraft: wir können sie geistig und wirtschaftlich für unsere Zukunft einsetzen. Mehr dürfen wir nicht verlangen.

CITY SWISS CLUB.

(Monthly Meeting)

The Monthly Meeting of the City Swiss Club took place on Tuesday, May 4th at Brown's Hotel under the Presidency of Mr. A. Bon, and was attended by 110 members and guests.—

England has its Beveridge and Keynes plans, the Axis powers, in a more ambitious way, are working out a new world order; all these various schemes to bring heaven nearer earth, have their repercussions in every branch of the human Society. It is therefore hardly surprising that these endeavours to create better and more efficient post war conditions, have also reached the precincts of the City Swiss Club.

With commendable energy a number of the younger members of the Club have, to use a slang expression, come to the conclusion, that the City Swiss Club needs a certain amount of "gingering up." Various schemes have been put before the Committee, some of which are distinctly outside the sphere of the Club, and should have been, in the first instance, addressed to the Colony as a whole.

It has been intimated, amongst other things, that the intellectual side of the Club life needs more attention, and that this could best be done by introducing lectures, debates, film shows, concerts, etc.

As far as I am aware this has already been done in the past, perhaps in a modest way, in view of the fact, that the City Swiss Club is primarily a Social Club and that some of the other Swiss Societies are catering almost exclusively for the intellectual needs of their members, who include a large proportion of members belonging to the City Swiss Club. The latter, let it be said, does not claim a monopoly for intellectual enlightenment, and hitherto it was thought best not to trespass too much on some of the activities of their sister Societies.

Never-the-less the committee has decided to conform to the wish of some of its members, and to initiate a series of lectures to begin forthwith.

I am glad to say, that the endeavours to find suitable lecturers was highly successful, and the first one to inaugurate the new activities of the Club was found in the person of Monsieur de Graffenried, the recently appointed Commercial Attaché at the Swiss Legation.

In welcoming the lecturer, the President informed the Meeting that Monsieur de Graffenried would speak on "Some General Problems in Swiss Foreign Trade," a most appropriate subject, and of vital interest and importance to the Swiss Commercial community.

Lack of space unfortunately does not allow us to reproduce this highly interesting *exposé in extenso* and the following is an abstract of Monsieur de Graffenried's address:—

"The nature of Foreign Trade problems has undergone considerable changes during let us say the last ten to fifteen years, and so has the rôle of Government in this field. Roughly speaking, most of these changes and new problems may be traced back to the general crisis of 1929/30, which seriously disrupted international dealings, both in finance and commerce.

I. In the good old days of stable currency conditions, there had in our trading been but one major problem; the question of securing admission into foreign countries for our exports, the breaking of tariff barriers and obtaining of preferential treatment for our export goods. Trade negotiations in those days

were largely confined to tariff questions, facilities as to assessment of duty, as well as to the obtaining of the Most-Favoured Nation Clause. Questions of payment did hardly arise, settlements being predominantly made under the mechanism of free gold system, and the more or less automatic adaptation in the balance of payment.

A considerable change affecting our trade policy occurred around 1930, when it was realised that imports should increasingly be placed at the service of exports; in other words, in view of certain difficulties in our exports, for instance as a result of increased industrial production in various countries after the last war, we decided to say that we would buy only from those countries which would accept our exports. A number of import restrictions were introduced and then individual arrangements made with various countries, especially for the import of staple articles such as rice, coffee, eggs, sugar, tobacco, etc.; in exchange, our partners had to undertake to admit increased quotas for our export goods. Thus the time honoured principle of the Most-Favoured Nation Clause, was largely replaced by the principle of *direct reciprocity* between two partner countries. Already in 1932, as much as 20% of our imports were in this way placed on a compensation basis. This system has one serious shortcoming, the danger of increased cost, since the purchase in a particular country is no longer governed by the principle of cheapest cost, but by considerations of commercial policy. Obviously, this system represented a further step towards increased State control in foreign trade, adopted, of course, only under pressure of economic conditions. But far-reaching as it was, this intervention was still restricted to the mere exchange of goods, without affecting the financial side.

II. This was radically changed by the appearance of *Clearing Agreements*, where the accent now lies on the financial side. As is, of course, generally known, these clearing agreements were a direct result of exchange restrictions, to which a number of countries were obliged to have recourse. To-day, not less than 80% of our foreign trade is governed by clearing or similar arrangements, especially our trade on the Continent of Europe and with South America. After the general crisis of 1930 — in some instances as a result of the heavy slump in the price of staple products — some countries, especially in view of their foreign debt, were forced to introduce restrictions on financial transfers in order to safeguard their currency position. Switzerland was immediately affected, since these countries, some of which had for decades belonged to our best customers, found themselves obliged to restrict imports, especially for expensive machinery or for articles which were considered as luxury, such as embroideries, high price watches, etc. After an unsuccessful attempt at an international conference 1931 in Prague, Switzerland amongst others then made bilateral arrangements with a number of countries first with Austria and with Hungary (1931), then with Argentine, Chile, Uruguay, etc; to-day our trade with twenty countries is governed by means of a clearing or similar agreement.

Now as to the *actual functioning of a Clearing*: under the clearing system, imports from France for instance are being paid by the Swiss importer into the Franco-Swiss Clearing account at the Swiss Compensation Office in Zurich, which is then paying Swiss exporters to France out of these accumulated funds. The payment made by the Swiss importer is notified to the

French Clearing Office, which then pays the corresponding amount to the French supplier, out of the funds accumulated by French imports from Switzerland, and vice-versa. Two important deductions follow automatically from this system:

- (a) It can only function satisfactorily if imports and exports between two countries are about equal in total value. Otherwise, if supplies from country "A" are lagging behind exports from country "B", there will not be sufficient funds in the Compensation Office of country "A", meaning that its exporters have to wait their turn before being paid. In such a case, the Swiss exporter, f.i., may have to wait a certain time before being paid, if he wishes to keep up his exports; he also has to face an additional risk, the transfer risk during the waiting period. Thus, under a clearing system, the possible export volume to a particular country normally depends directly on the total value of imports from that particular country. Our commercial policy has therefore to face an entirely new problem: the problem of securing, in the first place, sufficient foreign imports, in order to obtain the necessary means to finance our exports. As you probably know, the Government has in certain cases intervened to facilitate advance payments; in other cases, the banks may be prepared to extend advances on clearing claims, as a certain delay is always involved in the paying-out.
- (b) Another characteristic feature of the clearing is that the rate of exchange is fixed conventionally in the clearing agreement. The rate is then no longer in constant automatic relation with the actual currency value and purchasing power, and it may thus become disadvantageous to one party; this means that the cost of its imports would increase, and the yield of its exports decrease, thus making a readaptation of the clearing rate necessary through renewed negotiations.

These two points (first the dependence on the import volume and secondly the fixed rate), of course constitute serious shortcomings. Also, the clearing in its present bilateral form, — restricted as it is to trade and payments between two partner countries, — with all the complications and artificial features it entails,

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hardly affords any specific advantage or improvement over former trade systems. It should thus be looked upon rather as an expedient designed to maintain at least a minimum of orderly trade, in the face of otherwise disturbed international conditions. Also, trade on a clearing basis, requires almost constant supervision and frequent negotiations. For this purpose, a Delegate for Foreign Trade was appointed by the Federal Council already in 1929; to-day, we have three such Delegates.

III. The task of our trade dealings has of course become a particularly difficult one *since the war*, and the ever increasing scarcity of goods everywhere. While in normal times the first objective was to secure the largest possible volume of imports as a prerequisite for our export trade, the main task now concerns the obtaining of specific imports; on the one hand vital foodstuffs for our population, and on the other hand raw materials for national defence and our industry. In many cases, these specific imports, such as coal, iron, petrol, seeds, etc., can only be obtained under equivalent exports on our part. A system of barter has thus developed — within the framework of the clearing — which tends to become more and more complicated. In some cases, these *Barter Agreements* are in the nature of definite undertakings, by one country to provide certain goods in exchange against others. When it seems not possible to enter into specific undertakings, lists of intended exchanges which are then made interdependent of each other, are being drawn up, and reviewed and re-adapted after a certain time, usually after six months. One of our best known pre-war barter arrangements was the exchange of Swiss locomotives against Bulgarian tobacco, around 1932. About two months ago, an extensive barter agreement was concluded with Turkey, providing again for the exchange of machinery against tobacco, hazelnuts, carpets, sponges, raisins, etc.

Apart from the exchange of goods, various other problems such as questions relating to prices, the supply of raw materials for certain orders, etc., are likewise included in these negotiations and agreements. Other difficulties arise from the fact that a clearing partner may, on account of the limited amount of clearing funds at his disposal, wish to restrict imports from Switzerland to goods in which he is mostly interested, while excluding others for which however large parts of our population may depend on export outlets for their very existence.

IV. As has already been shown, imports from a clearing partner are in many cases not sufficient to meet the demand of our export industry for export facilities. A certain *distribution of the available clearing funds* becomes then necessary, amongst the various industries, as well as amongst the individual firms in one particular branch. This allotment of clearing quotas is nothing else but a sort of rationing process, applied to the financing of exports. The delicate task of allotting, within a certain branch, the individual clearing quotas is in most cases entrusted to trade organisations of the individual branch, such as the Swiss Machine Association in Zurich for the machine industry, the Cotton Goods and Lace Associations at St. Gall, the Silk Syndicate in Zurich for silks, the Watch Chamber at La Chaux-de-Fonds for watches, etc. Generally, prior exports are taken as a basis. Sometimes, additional quotas are given to firms who have been able to effect new imports from the country

involved. Thus when we tried to promote imports from North Africa, which has been one of our good customers for embroideries and laces, we received a large collection of African products including salt fish, fig and date jams, etc., which the lace exporters tried to place on the Swiss market in order to obtain corresponding clearing facilities for their lace exports. This collaboration with industry and trade applies not only to exports, but in a similar way to imports, especially when imports are restricted to certain quotas which again make a distribution necessary. For negotiations, constant contacts with the leading economic groups such as the Vorort, the Bauernverband, the Watch Chamber, etc., are likewise essential; these organisations are represented in the various trade commissions, and sometimes in the actual trade delegations.

V. So far, we have only dealt with the exchange of goods, the maintenance of a reciprocal flow of merchandise being indeed the primary objective of a clearing agreement. In addition, accessory costs, commissions, services, etc., are likewise transferable through the clearing, while financial transfers are as a rule excluded. A special case arises for *licence fees* resulting from the exploitation of patents, inventions and scientific research. These invisible exports represent a rather considerable asset in our commercial balance, since a number of large Swiss enterprises especially of the machine, chemical and foodstuff branches, for various reasons established independent companies and factories abroad. It has therefore always been our endeavour to have payments from these subsidiary companies to their mother company admitted in our clearing and exchange agreements, as they would otherwise in most cases remain frozen. In a similar way, special arrangements are frequently necessary for tourism, another important factor in our balance of payment which is meeting with considerable difficulties.

VI. As to *financial transfers* such as the transfer of interests, coupons, dividends, etc., admittance to the clearing could in most cases only be obtained to a limited degree, these payments being in many cases subject to severe exchange restrictions and freezing measures. Yet, in certain clearings, the financial transfer could to a large extent be safeguarded; in other clearings, the transfer is restricted to a certain percentage of the interest due, while the remainder either remains blocked or can only be used for specified purposes such as travelling, gifts, etc.

The importance of *Swiss investments abroad* has not always been appreciated in the same way. The total of our foreign investments is very considerable, and consists in private holdings in foreign shares and debentures, branches and factories of Swiss concerns, insurance interests, commercial credits, etc. Switzerland probably has one of the highest percentages in foreign investments, a result of our thrift and initiative, similar to our export position. In normal years, the returns from these investments represented a very appreciable asset in our balance of payments. As for industrial and commercial enterprises in particular, it is true that in some instances, certain of these investments resulted from expatriation of Swiss industries, and that sometimes they may even constitute a serious competition to our own export trade. Yet, in many cases, part of the capital remains in Swiss hands, and there may likewise be a Swiss participation in manage-

ment as well as in scientific and technical research. As to capital holdings, to-day a considerable part are frozen, or blocked in other ways. Facilities for the transfer of interests, or the possibility to use frozen funds for the payment of imports, can in many cases only be secured through negotiations and arrangements for financial clearing. In view of the national importance of these foreign investments, it has in recent years been suggested in some quarters, that the State should in some way or other take a more active part, particularly that it should obtain transfer guarantees, and that new capital exports after the war should be co-ordinated with our export and commercial interests. Captivating as this suggestion may be, it would inevitably lead to new Government interventions and to responsibilities of a rather controversial nature.

VII. Most of the problems we have seen so far, originated long before the war; in some cases they were the result of disturbances in finance and economics, in others perhaps merely the inevitable consequence of changing conditions, such as increased industrialisation, planned economy, etc. Then the war, besides accentuating the old difficulties, immediately confronted our commercial policy with an increasing number of *new and serious problems*. The first (a) pre-occupation of course was and still is the securing of *foodstuffs and vital imports*. While the Wahlen plan for increased home-agriculture is making good progress — although the gradual extension to less fertile regions inevitably brings new difficulties, apart from the fact that a number of essential requirements for the Wahlen plan have to be imported from abroad, — we still are dependent on food imports to 70% of our needs. The bulk of these imports of wheat for our bread, oils and fats, sugar, tea, etc., comes from overseas, most of it on our own ships, either Swiss owned vessels or charter vessels. Most of these imports go via Lisbon and Genoa. In addition, we have transports by rail across Spain and France, and an Autotransit across Spain. Other vital imports such as coal, iron and petrol come mainly from our Northern neighbour. Trade with the Balkans is largely on a barter basis, even smaller items often necessitating lengthy negotiations. Particular endeavours have been made to intensify our trade with neutral countries especially with Portugal, Sweden and Turkey. Other serious problems relate to the two blockades, to restrictions placed on the use of certain imports, transit, etc.

(b) To assist our trade, the Government established a *Federal War Risks Insurance*, intended in the first place for vital imports, but now available likewise for exports. Here again, the Government made use of existing private insurance, a special Pool being created in which the Confederation and the private insurance companies are partners.

(c) Foreign trade further has a considerable bearing on the internal *price control*, since the prices of imports, especially the increased cost of freight and insurance can of course only be controlled to a limited degree. Considering that the cost of imports is showing an average increase of almost 110%, the task of controlling the prices as one of the main weapons against inflation became indeed a particularly difficult one. In comparison, the index of living cost has risen by 44%, the costs of export by 55%. Some people are from time to time proposing that our export prices should be increased to the import level. A general

export tax has thus been suggested which should then be used to make certain essential imports cheaper. In some cases, this system proved successful and feasible to a certain degree. But it is an artificial measure, which cannot be applied on a large scale, as it would inevitably lead to counter-measures on the part of the country involved. On the other hand, as the price of a certain import commodity may vary from time to time, pools ("Ausgleichskassen") have been set up in various branches, in order to pool the cost and thus arrive at an average price.

(d) Other difficulties are caused by the *scarcity of raw materials*, especially in the machine, leather and textile sectors. A strict control of stocks, of manufacture and of exports through the various sections of the Federal War Industry and Labour Office, in conjunction with the Division du Commerce thus became necessary. On the other hand, the use and development of substitutes has made considerable progress and has in some industries been able to attenuate the existing difficulties. This applies particularly to the rayon and "Zellwoll" industry, to the use of cork and wood in the shoe industry, to the replacement of copper by aluminium, to the increased use of raffia, etc.—"

In conclusion, the speaker briefly mentioned the future prospects of Swiss exports, showing on one side the dependence on conditions at home and abroad at the end of the war, and on the other side the necessity for close attention to developments as well as constant endeavours for improvements of our home production.

On resuming his seat, Monsieur de Graffenried was greeted with warm applause by the members, and the President, Mr. A. Bon, on behalf of the company, thanked the speaker for his excellent and lucid exposé. He said that the Swiss can have full confidence in its Government, who is watching very closely post war development.

A short discussion, in which several members took part followed, some suggestions were made, which the speaker promised to study and bring to the notice of the competent authorities.

Monsieur de Graffenried made a very favourable impression on his hearers, and we can but congratulate our authorities in Berne for having sent us a man who seems to have the necessary qualifications and a good knowledge of the thorny problems which our country will have to tackle in post world economic reconstruction.

A further pleasant surprise was in store for those who attended the Meeting. Monsieur Haccius, Delegate of the International Red Cross in Geneva gave a short *causerie* on his recent visit to Switzerland, describing in a very witty way some of his experiences during his journey. He also mentioned the work which the International Red Cross is doing to soften the wounds which this terrible war is inflicting on millions all over the four quarters of the Globe. According to his information, the conditions in our homeland are still bearable, especially when one compares them with the sufferings of some of the countries which have experienced the invasion of their territories.

This speaker too was cordially thanked, both by the President and the members, for his interesting talk which made some of us feel quite homesick.

The Meeting which ended at 9.30 p.m. was a great success a part of which should be extended to the Management of Brown's Hotel for the excellent catering arrangements. *ST.*