

M e m o r a n d u m .

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1. At the outset of these trade negotiations, the Swiss Delegation have emphasized to His Majesty's Government, verbally as well as in writing, the special position of Switzerland during the present hostilities. Since then the economic difficulties have continued to increase. The consequences of the economic warfare (blockade agreements) and of the military operations (Poland, Finland) have hit very hard Switzerland's traditional export relations without any other markets to offer compensation for these losses.

2. Trading with Great Britain is one of the vital economic relations of Switzerland. Since the beginning of the war a number of Swiss Industries are suffering from the wide reaching British import restrictions. As these are explained by the present available amount of funds in foreign currencies, the Trade Delegation have tried to find some means to protect the export from Switzerland to Great Britain in a way which will prevent the affected industries from breaking down. These considerations have induced them to propose the opening of a credit.

3. A group of Swiss banks is now prepared to grant a credit at favourable conditions to a group of British bankers. These conditions are:

<u>Amount of credit:</u>	100 million Swiss francs
<u>Duration of credit:</u>	3 years
<u>Interest:</u>	1½% over the official rate of the Swiss National Bank, but not less than 3%.





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Further details to be discussed between the parties.

In the course of the previous conversations His Majesty's Government have indicated that the present state of affairs in respect of any payments between the United Kingdom and Switzerland will not be modified for the coming 18 months.

4. The finding of this amount of 100 million francs at the above conditions has met with great difficulties. In many respects this operation means now a particularly heavy burden. The commercial circles in Switzerland would hardly understand the opening of a credit of such an amount and at such conditions in the present circumstances and would strongly oppose it if, as it is the case since the outbreak of the hostilities, important Swiss export goods should further remain excluded from the British market.

5. The Trade Delegation have therefore been instructed to state that the opening of the above mentioned credit must be made subject to the granting of the following import facilities for the duration of the Agreement:-

50% of the imports into the United Kingdom between August 31st, 1938 and September 1st, 1939 of:

<u>Shoes:</u>	4 million francs
<u>Embroideries:</u>	2,6 " "
<u>Silk tissues:</u>	3,0 " "
<u>Silk ribbons:</u>	1,5 " "



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<u>Braids and hoods:</u>	1,1 million francs
<u>Knitwear:</u>	1,0 " "
<u>Aluminium foils:</u>	0,6 " "
<u>Special machines and apparatus:</u>	2,0 " "

Watches: The quota of 33 1/3% already allotted should be increased up to 50%, which would mean an addition of 5 million francs.

Cotton tissues: Admission of the process traffic.

An Open Sum of 1 million francs should further be reserved for distribution by the Mixed Trade Commission suggested by His Majesty's Government.

6. The Trade Delegation would expect to receive in the final Agreement an assurance from His Majesty's Government that for the duration of this Agreement import licences for such products as are now admitted from Switzerland will not be reduced. Should His Majesty's Government issue further import restrictions, licences are still be granted for an amount equal to the amount of the goods subjected to such restrictions imported in the basic period 1938/1939.

7. The Trade Delegation suggest that the same procedure be used for the management of the imports of



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the goods mentioned under 5 as has been applied in the case of the special arrangement of December 1939.

8. The extremely heavy sacrifices which Switzerland is making daily for the maintenance of her neutrality and the effective defence of her territory are well known. The necessary financial means for this purpose can only be procured in the long run if those exports which are of vital importance for the Swiss economy can be maintained also during the war.

London, 4th April, 1940.