

December 14, 1940.

Dear Mr. Welles,

Is it intruding too much on your time if I ask you to look over the enclosed exposé? I should be very much obliged to you if you would do so.

A Damocles' sword of an occasional blocking of Swiss accounts in this country is still dangling over our economy. If it should fall on it, it would mean a terrible blow and a decided weakening of the position of our country.

I am convinced that the desired effect of such a drastic measure can be reached otherwise.

Thanking you heartily for the attention you may give to this matter,

I am,

Sincerely yours,

1 Enclosure.

Honorable Sumner Welles,  
Under Secretary of State,  
Washington, D.C.

CB/ss

Dodis



LÉGATION DE SUISSE  
WASHINGTON, D. C.

SWITZERLAND'S UNIQUE FINANCIAL SITUATION AND ITS  
SIGNIFICANCE FOR THE UNITED STATES.

Of the 45 countries which at the beginning of the first world war adhered to the gold standard, and of the remaining six which concluded the Tripartite Agreement a few years ago, only two maintained the gold standard - the United States and Switzerland.

The exceptional standing of these two countries in international trade and finance was emphasized by the British Government in granting in its war regulations to these two countries, and these two countries only, special exchange conditions.

The maintenance of the gold standard by the United States is a matter of course: based on the shifting of the political importance and on the development of the incomparable economic resources of this country. The other country, however, singled out in the British regulations together with the U.S.A. is by nature one of the poorest countries in Europe, with no raw materials of her own, no access to the sea, without political power, with fewer inhabitants than Colombia and in size smaller than any of the Central American countries.

Switzerland owes her position in international finance to the natural thrift of her people and her methodical investment in foreign countries extending over a period of more than three generations. There is no other country where

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the standard of living is so dependent on the fluctuations of the American market as in Switzerland, and the investment in American securities infiltrates into the remotest valleys of Switzerland. Since New York took over the position of London as financial world center, a good part of the currency reserves of Switzerland were centered in the U.S.A. A rough estimate shows an average investment in the United States of almost \$ 1000 per Swiss family, a figure without comparison to any other country in the world. On the other hand research has proved that the assertion to the effect that a considerable part of the Swiss holdings in the U.S.A. represent foreign - i.e. non-Swiss - investments is actually unfounded.

These large foreign holdings, spread over all classes of the Swiss population, enable the country to balance her foreign trade liabilities, even in times lacking assets derived from tourist traffic, insurance and bank transactions. This permits the upkeep of a comparatively high standard of living among the lower middle class and labor, thus counteracting the radicalisation so strongly and effectively enforced in other countries. While most of the other states of the world will, upon termination of the war, be confronted with the alternative of either basing their economic life on an international barter trade or requesting long term credits from the United States, Switzerland will not only be in a position to support herself financially, but will most probably be able to participate in rendering financial support to those countries in need of capital for reconstruction. All this will be possible for her

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in spite of the set back suffered through the loss of one billion dollars in Germany alone during the past decade and in spite of the war expenditures, the comparatively large amount of which will hardly be surpassed by any other country. Switzerland has called to the colors not less than 15% of her population. The extraordinary war expenditures during the first year of war reached a total of no less than \$ 700.-- per family.

There is no other country in the world where there is such contrast of natural poverty on one side and so comparatively high a standard of living on the other. This is the result of incessant hard work, peaceful international trade relations and full confidence extending over the past century. Once destroyed, this foundation could hardly be rebuilt.

The financial power of Switzerland is of particular importance to the United States. Switzerland can be considered her partner in the maintenance of the gold standard and its manifold consequences. The opinion so often expressed, that the maintenance of the gold standard is practically impossible for any other state than the U.S.A. is contradicted by the fact that a country without natural resources and without colonies is still in a position to fulfill the requisites of adhering to the gold standard, thereby setting an example for the possibility of future rehabilitation. It may prove important for the United States to have a partner after the war to help solve these difficult problems of reconstruction, a partner not only experienced, but capable of financial participation, even though

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to a limited extent only - as a matter of fact, the only potential partner, since financial power in Western Europe suffered a collapse.

There have circulated many rumors about hemispheric politics and an economic or even a financial blockade of the entire European continent. From a purely administrative point of view, it may appear as a tempting simplification to make no exceptions while proceeding in this direction. But, since Switzerland is defending her exceptional position as a free economy country against all contrary influences, she has a right to demand this position to be respected. A blocking of the Swiss assets in the United States, even in form of only temporarily restrictive measures, would not only inflict irreparable damage to the economic standing of Switzerland, but would also destroy the gold standard and with it the independence of the Swiss currency and the so hard defended international solvency. It is the firm hope of people and government of Switzerland that such catastrophic and undeserved developments can be prevented and both shall do their utmost to cooperate in this direction, with the United States Government. Switzerland will remain in the future what she was in the past, but this is only possible if her financial status remains untouched.