

M E M O R A N D U M

1. On April 25, 1940, a War Trade Agreement was concluded between the Swiss Government on one hand and the British and French Governments on the other. Since then the French Government have ceased to be a party to this Agreement. Under its terms, Switzerland accepted several severe restrictions of her exports and undertook to carry out the corresponding measures of control. In consideration of these undertakings, His Majesty's Government consented to the unhindered import of foodstuffs, raw materials and other commodities, the transport routes for which are under British control.
2. In consequence of the events of the summer of 1940, which led to the encirclement of Switzerland by the Axis Powers, and having regard to Switzerland's economic position, which was entirely changed thereby, several alterations were made in the Agreement of April 25th, 1940. Accordingly the free export of Swiss agricultural products to the Axis Powers was expressly conceded. The Agreement has always been carried out in close touch with the British Legation in Berne.
3. In the summer of 1940, the Axis Powers set up a counter-blockade by which all Swiss exports were subjected to their control. This control became complete when, as a result of the closer co-operation between France and Germany,



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the last remaining road through unoccupied France was placed under German supervision.

4. When Italy entered the war, all imports from overseas to Switzerland provided for in the War Trade Agreement were by the action of the British Authorities stopped for several months.

5. Thereupon the British Government considered that the altered circumstances justified the laying down of new regulations reducing imports into Switzerland. They established quotas for several overseas products of vital importance to Switzerland. These quotas were based on estimates of stocks still available in the country. For a number of important imports, however, no quotas have ever been granted. As a consequence, for such commodities as metals, basic chemicals, petroleum products, rubber, etc., Switzerland was made dependent either on overseas imports under navicerts in insufficient quantities or then on supplies from other sources. In some instances overseas supplies were stopped altogether. The conditions laid down in autumn 1940 for the despatch of supplies to Switzerland, are to be found in Mr. Hugh Dalton's letter to Professor Keller, dated October 15th, 1940. In consequence of this new practice, Switzerland's economic position became much more difficult.

6. In the spring of 1941, Germany taking advantage of Switzerland's enhanced dependence on continental sources

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of supply, made new and far-reaching economic demands upon her. The Swiss-German Agreement of July 18, 1941, was only signed after many months of difficult negotiations. The terms finally agreed upon are far from meeting all demands put forth originally by Germany. Switzerland succeeded both in reducing the exports demanded from her and in obtaining guarantees for increased imports of vitally necessary commodities, including some in which Germany herself is very short. Moreover, Switzerland succeeded in preventing the interruption of road transportation between Switzerland and unoccupied France, in obtaining the removal of a number of goods from the "Geleitschein"-list, and thereby increasing the amount of authorised Swiss export overseas by 100 million Swiss francs.

7. As the British Authorities have already been informed, various circumstances have enabled Switzerland to reduce appreciably the exports to Germany of agricultural products stipulated in the Agreement.

8. Moreover, the overdraft provided for by Switzerland under the Clearing Agreement has been utilized to the amount of 150.5 million Swiss francs only, a figure incidentally which had already been reached at the time when the Agreement was signed, in July 1941. This fact, which will be appreciated by His Majesty's Government, may be explained by Switzerland's limited capacity of production, which the Swiss themselves had never estimated as highly as the Germans,

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and by the constant flow of imports from Germany which has exceeded that of Swiss exports to Germany by 79,2 million francs during 1941.

9. As a result of the Swiss-German Agreement of July 18, 1941, and the interruption of Swiss exports to Great Britain due to the action of the Axis Powers, His Majesty's Government informed the Swiss Government on September 9, 1941, of the suspension of all quotas for industrial raw materials. At the same time they added that his Majesty's Government were prepared to take into account both the developments of Swiss trade with the enemy and the extent to which Swiss industry may, in practice, be able to export to the United Kingdom, the Empire and allied destinations, goods to which the authorities in these respective markets attach importance. The Swiss Government note with deep gratitude that the British Government have not failed to continue to grant navicerts for supplies of foodstuffs.

10. His Majesty's Government will appreciate that it is impossible to suspend Swiss deliveries to Germany in disregard of existing agreements. As already stated, Switzerland has to rely on Germany for the exchange of goods of vital importance to herself, some of which are also of vital importance for Germany. Switzerland is compelled to pay for these by corresponding exports. In her present difficult position, Switzerland is even more dependent on the German

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market as a necessary means of combatting industrial unemployment. The British Government will not fail to appreciate the importance of regular employment for the maintenance of the political and social stability of Switzerland.

11. In her own national interests as well as in deference to the British requests, Switzerland has ever since been making special endeavours to ease the pressure of the counter-blockade. All her efforts tend to resume her exports of commodities of particular importance to the British Commonwealth of Nations and the United States of America. On October 31, 1941, Switzerland after some preliminary discussion in the "Commission Mixte" submitted a list of reciprocal exports and facilities to serve as the basis for negotiations with the Axis Powers. The British Government, whilst not accepting this proposal in its original form, expressed their willingness to seek agreement along the general line set forth therein. Thereupon the Swiss Government have taken up negotiations with the Italian and German Governments, the first results of which are to be submitted for consideration by the British Government.

12. Besides pursuing and concluding the conversations which this will entail, the Swiss Delegation hope to be able to reach agreement with the Ministry of Economic Warfare on the following further topics:

- 1) The application to the Swiss exports of "The Import (Certificates of origin and interest) Order 1942";

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- 2) The improvement of the Swiss tonnage position;
- 3) questions raised by the British Government concerning certain financial matters.

March 24, 1942.