Schweizerische Aussenwirtschaftspolitik 1930–1948: Strukturen – Verhandlungen – Funktionen

Swiss foreign trade policy 1930–1948: Structures – negotiations – functions

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Martin Meier, Stefan Frech, Thomas Gees, Blaise Kropf

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Summary

This study examines Swiss foreign trade policy in the 1930s and 1940s. One question raised by the close economic links between Switzerland and the Third Reich is whether the foreign trade policy pursued by Switzerland was biased in favour of the National Socialist regime. The study therefore focuses on the role of the Swiss authorities, business representatives, negotiators, diplomats and politicians. It also presents the foreign perspective by analysing the position adopted towards Switzerland by key representatives of foreign governments and organisations during the National Socialist era, and in particular during the war years from 1939 to 1945.

Traditionally, Switzerland's «small open economy» had always been strongly integrated into the European and international markets. Its lack of raw materials and small domestic market encouraged Switzerland to participate in cross-border trade and export capital. As it imported more goods than it exported, Switzerland generally had a trade deficit. This was offset in its balance of payments by a surplus in the services sector (insurance, tourism) and revenue from investments abroad. Its strong focus on external markets meant that the Swiss economy suffered severe setbacks as a result of the Depression in the 1930s and this situation was exacerbated by the debt crisis faced by Germany and Eastern Europe. In 1936, trade and financial markets had barely started to recover when political tensions increased: Mussolini's Abyssinian campaign and Hitler's policies towards Austria and Czechoslovakia threatened the peace order established by the Treaty of Versailles. In response to the crisis, the Government took steps to protect the interests of the Swiss export sector. By identifying itself with the interests of the business community, the state thus became a key foreign trade policy actor, actively seeking to influence trade and finance flows in the aftermath of the Depression and, in particular, after the outbreak of the Second World War. Trade policy thus became an instrument of foreign and security policy during the National Socialist period.

A quantitative analysis of Switzerland's international trade illustrates just how exceptional this period – 1930-1948 – was from an economic point of view. Swiss export markets had shrunk in the first half of the 1930s as a result of the Depression (chapter 2). In 1930, exports as a proportion of Swiss net domestic product dropped below 20% for the first time and did not recover to levels above 20% until 1949 (with imports showing a similar trend, cf. figure 2). It was thus a period of continual upheaval and disruption in trade relations. In the 1930s, this was caused by the collapse in demand; in the 1940s, on the other hand, the key factor affecting Switzerland's international economic relations was the war in Europe. The Axis powers and the Allies were engaged in a bitter economic war which ultimately extended to the neutral countries as well. National Socialist Germany responded to the Allies' *economic warfare* with *total war* – particularly after the failed invasion of the Soviet Union. The trade war therefore also had a far-reaching impact on society in the states which tried to stay out of the war.

There were considerable differences between the various export industries. Depression and war hit the textile industry particularly hard, whereas foreign demand for products manufactured by the chemical, mechanical engineering, watchmaking and precision instruments industries held up very well (cf. figure 9). Indeed, these industries experienced a real boom from 1940 to 1943. As the ICE's detailed study of payments under the clearing

agreements shows, federal loans of around CHF 1.5 billion to Germany and Italy fostered the business community's willingness to offset the loss of the British, US and French markets by increasing exports to the Third Reich and Italy. Before the war, Germany and Italy together accounted for a good 30% of Switzerland's imports and a good 20% of its exports. In 1941 and 1942, imports from these countries had risen to 40% and exports to more than 50% (figures 14, 16, 23 and 24). In these two years, National Socialist power was at its peak and German and Italian debts with Switzerland under the clearing system increased rapidly during this period. After the tide of war turned at Stalingrad and pressure from the Allies increased, the Swiss authorities and companies became more cautious from 1943 onwards and worked together to try to cut exports to Germany. For a short period, the neutral European states (Sweden, Spain, Portugal and Turkey) acquired some significance as Switzerland's trading partners (accounting for around 20% of exports between 1940 and 1944), although these exports and imports were also affected by the trade restrictions imposed by the warring states (Allied blockade and German counter blockade, cf. figures 27, 28 and 31).

Soon after the Depression, the Trade Division, which was responsible for export issues, worked together with diplomats and the Swiss Federation of Commerce and Industry (*Vorort*) in an attempt to negotiate optimum import and export conditions (chapter 3.1). As a result, a good working relationship developed between public and private actors in the field of Swiss foreign trade policy, enabling broad consensus-based solutions to be identified. This meant that the authorities could intervene in foreign economic relations, especially foreign trade, but that the private-sector business federations were responsible for the practical implementation of policy. «Liberal corporatism» thus became entrenched, continuing even after the end of the war and blurring the lines between the private and state sectors (chapter 3.3). The organisation of the war economy, which was set up to reallocate scarce resources during wartime, was also based on this model, with numerous representatives of the business community being put in charge of the newly created Offices of War Economy which reported to the Department of Economic Affairs (chapter 3.2).

After the outbreak of war, Germany – riding on the wave of its successful *blitzkrieg* strategy – sought to reorganise Europe's economic system. It developed a number of strategies to break Britain's economic blockade. As a rule, these plans met with scepticism or rejection in Switzerland. Instead, the authorities and business federations adopted a pragmatic approach and attempted to come into line with the new conditions (chapter 4.1). The vision of a single «European economic area» under the leadership of National Socialist Germany found its most tangible expression in the multilateral clearing system in which Switzerland also participated. The Swiss authorities and business federations were aware that this Berlin-controlled payments system was driven by power politics. The Allies also developed strategies for the post-war economy, lobbying hard for a new international trade system based on the «most-favoured-nation» principle, international dismantling of tariffs, and the recognition of the US dollar as the international reserve currency. The neutral states were not invited to participate in the financial conference held by the Allies at Bretton Woods in the summer of 1944. This reaffirmed the Swiss authorities' and business federations' critical attitude toward a new international economic and financial system dominated by the USA (chapter 4.2). Nonetheless, from 1943 onwards, the only strategies for the post-war economy taken seriously by the Swiss authorities were th ose devised by the Allies.

During the war years, the authorities tried to maintain Switzerland's economic links by conducting bilateral negotiations with all sides (chapter 5). The Swiss authorities responded to the Allies' blockade of Germany, which was immediately imposed after the outbreak of war, by introducing official monitoring of exports and imports. In 1940, shortly after Switzerland reached agreement with France and Britain on implementing the blockade, France fell, and thus ceased to be a party to this solution (chapter 5.1). Except for a tiny area on Lake Geneva, Switzerland was now entirely surrounded by Axis powers. Germany then introduced a counter blockade; as a result, all the Swiss companies' trade contacts acquired a political dimension. In particular, the War Ministries in Great Britain and the United States tried to halt the supply of goods to the Axis powers by threatening to blacklist the Swiss companies involved. The business federations and the Federal Council rejected this intervention, however, and in November 1943 expressly forbade Swiss companies from signing these agreements, known as «undertakings» (chapter 5.4).

After the fall of France, the most important negotiations were those undertaken between Swiss negotiators and representatives of the German ministries. The two agreements signed in August 1940 (chapter 5.2) and July 1941 (chapter 5.3) were the building blocks which regulated relations until the end of 1942. In 1940, the Federal Council granted a credit limit of CHF 150 million under the Swiss-German clearing agreement, which it increased to CHF 850 million in 1941. (Germany subsequently exceeded even this higher limit.) With its willingness to grant Germany loans from public funds, Switzerland helped to bankroll the German war effort. The German negotiators described this as a «solidarity contribution» to the European war against Bolshevism. Under pressure from the business community and supported by the trade unions, the directors of *Vorort* (Homberger) and the Trade Division (Hotz) devised a strategy based on Switzerland's comprehensive integration with National Socialist-dominated continental Europe. Even under the circumstances at the time, the price of such a move was very high; however, there were economic as well as foreign policy reasons for the state to shore up exports: utilising industrial capacity to the full would ensure that Swiss industry remained competitive in the «post-war era» whichever system was in place. However, this was only possible if cooperation between the civil and military authorities functioned properly. Partial demobilisation, which reduced the number of men on active duty from 450 000 to 150 000 between July and autumn of 1940, in conjunction with the economic negotiations which culminated in the first clearing loan for the German Reich in summer, paved the way for the «reduit» strategy. The soldiers were thus able to return to their civilian jobs (chapter 7.2).

In addition to the financial cost of economic integration, this step damaged Switzerland's reputation among the Allies, which steadily worsened as the war continued. After the fall of France, Great Britain initially continued the war against Germany on its own. However, because the USA was supporting Britain economically through the lend-lease agreements, the loss of Swiss exports did not pose a problem for the British. The USA entered the war on the side of Great Britain on 8 December 1941 and also assumed leadership of the economic war against Swiss companies. From 1943, the Allies called upon the neutral countries to support the war against Nazism. The USA was no longer prepared to supply food to countries like Switzerland which produced largely for the German war effort. From 1943, the Swiss authorities thus came under increasing economic and diplomatic pressure to reduce exports to Germany and desist from granting any further clearing loans (chapter 5.4). Allied pressure in particular helped Swiss negotiators to resist German demands. The economic agreement between Switzerland and Germany expired at the end of 1942 and was not renewed at first; it was later extended, but only as a stopgap measure. From 1943 onwards, the Swiss authorities tried to revert to a more even-handed trade policy, while in the private sector, some companies were already preparing to trade with the Allies again after the war. The negotiators managed to avoid a breakdown in relations with either side, despite sharp verbal confrontations, but the success of this twin-pronged strategy was due to factors often beyond Switzerland's control and which were not primarily economic in nature. The records show that the foreign ministries in Washington and London held Switzerland in high political regard because as a neutral state it was of use to the Allies (acting as a protecting power, providing care for prisoners of war, place for secret service activities). By contrast, the Allied authorities in charge of the wartime economy, and later the US Treasury Department, favoured an uncompromising approach towards Switzerland: from their point of view, Switzerland's economic cooperation with Germany – the trade in goods, electricity exports, transit of goods through Swiss territory, and asset transfers – had prolonged the war. At the height of the conflict between the USA and Switzerland, however, it was the transfer of German assets to neutral countries abroad which emerged as the key issue at the Currie negotiations in early 1945: under massive pressure from the Allies, the Federal Council froze German assets in Switzerland on 16 February 1945 (chapter 5.5). At the same time – and without consulting the Federal Council – Walter Stucki, Switzerland's chief negotiator, broke off negotiations with a German delegation on a new economic agreement. These two measures paved the way for greater understanding – though not normalisation – in Switzerland's relations with the future powers. Anti-American feeling among the Swiss business, political and diplomatic elites and fears that in the transition from a wartime to a peacetime economy, the Allies would attempt to squeeze out Swiss competition were the main reasons why Switzerland found it difficult to accept the new (power) relations for so long.

The study shows that with regard to products important for the war effort – an elastic concept in times of war – the German authorities showed a growing interest in Swiss industry (chapter 6). Once the success of the *blitzkrieg* had faded after the failure of the attack on the Soviet Union, Germany became heavily dependent on the import of all types of goods. The occupied West European countries, in quantitative terms, made a far greater contribution to the German war economy than Switzerland. However, Germany was primarily interested in Switzerland not for its industry but for its financial potential. In the summer of 1941 the US dollar had ceased to function as an international means of payment. As a result, Germany's attention focussed on the Swiss franc. The «free currency surplus» (*«freie Devisenspitze»*) and looted gold were the main sources of foreign exchange for the Third Reich, which it needed to buy vital raw materials and services in third-country markets (Sweden, Spain, Portugal and Romania). In this respect, Switzerland, as a flexible financial centre with an internationally convertible currency, was particularly useful for the German war economy. Switzerland also produced some goods which were important, though not crucial, for Germany's war effort: raw materials such as electricity and aluminium, and finished products such as weapons, machinery, machine tools, and products from the watchmaking industry. As these goods were also manufactured in Germany and the allied or occupied countries, Germany's dependence on Switzerland in this area was limited. Supplies of products from Switzerland's watchmaking industry – especially fuses – and machine tools played a far more crucial role in German arms production, so that it is safe to assume that Germany was far more dependent on Switzerland for these goods. Most of Switzerland's exports to Germany of war material in the narrow sense (arms and ammunition) took place in 1941 and 1942; after that, Germany was able to cover its own needs.

Swiss foreign trade policy during the Second World War enjoyed broad support at domestic level. As responsibility in this field had already shifted from Parliament to the Government and administration in the 1930s, there was little debate in Switzerland on the country's wartime trade policies. Nonetheless, a few critical voices were heard, especially after the agreement with Germany in the summer of 1941. Members of the Swiss Parliament also complained occasionally that they were poorly informed, or openly criticised the biased policy course – highly questionable in terms of Switzerland's neutrality – adopted by the Department of Economic Affairs and the Federal Council (chapter 7.2). Towards the end of the war, however, the rare criticism of Switzerland's foreign trade policy died down completely. Instead, the Left voiced its discontent with what it saw as inappropriate trade and foreign policies towards the Soviet Union (chapter 7.3). In essence, however, the major political parties supported the Federal Council and accepted Switzerland's close economic relations with Germany and Italy. Measured by employment criteria, the Government's trade policy was generally successful. This made it very difficult for contemporaries to criticise the authorities' arguments in favour of full employment and the utilisation of all available capacity in the civilian economy in preparation for a post-war economic system whose form was undecided until the end of 1942. The economic adjustments spared the Government from having to make further political concessions. Nevertheless, even in the muted political debate at the time, the distinction between «economic» and «political» was controversial.

We conclude that trade relations during the Second World War were highly politicised. However, Switzerland's reliance on a strategy which aimed to present its trade relations as being as non-political as possible proved successful. The Federal Council demanded that the belligerents respect not only its political and military neutrality, but also its economic neutrality. In reality, however, it was virtually impossible to enforce this theoretical approach because the state itself was actively financing Switzerland's export industry, which was biased towards Germany. The history of Switzerland's trade relations during the Second World War therefore cannot be viewed primarily as a history of neutrality. Instead, it is a complex process of «give and take» which was shaped by specific interests and shifting power relations in each phase of the struggle between two warring alliances and their strategies towards Switzerland – a country which was economically useful for one side and politically for the other, yet which both sides regarded as insignificant compared with the monumental military, ideological and financial conflict taking place elsewhere in the world.

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