

II-9/1

SECRETARY'S STAFF COMMITTEE

December 10, 1944

HC-15

CURRENT POLICY TOWARD SWITZERLAND

THE PROBLEM

Economic warfare negotiations with the Swiss are to be reopened in January in connection with the semi-annual revision of the U.S.-Swiss War Trade Agreement, with the object of further reducing Swiss exports to Germany and the volume and nature of transit traffic between Germany and Northern Italy.

RECOMMENDATIONS

1. For political reasons and for reasons arising out of the benefits to us of Switzerland's neutral position and her future potential usefulness in the economy of Europe it is inadvisable to place too great pressure upon the Swiss Government at this time in order to attain pure economic warfare objectives.

2. The change of tactics suggested by the Legation at Bern and fully supported by the British Government should be adopted.

3. The Swiss should be told that as the military situation changed, our economic warfare objectives likewise would change and increase; that they had not fully met our September demands, and that in the January negotiations we would have further requests to make, particularly with respect to North-South transit traffic; that it was our intention to deal generously with the Swiss in supply and other economic matters to the full extent of their willingness and ability to meet our requests; and that as an earnest of our goodwill and in reflection of the partial way they had already come, we were planning to make immediately available to them a substantial proportion of the raw materials offered them in September.

DISCUSSION

As a result of the August negotiations the Swiss drastically reduced exports of strategic items (arms,

~~ammunition,~~
~~and~~ *to*

II-9/2

ammunition, machinery, etc.) to Axis Europe. We achieved this reduction without giving imports of industrial raw materials to the Swiss.

Subsequently, we approached the Swiss informally to stop all exports to the Axis and all transit of goods on Axis account across Switzerland. These approaches were unsuccessful and were followed in September by demarche containing U.S.-U.K. "minimum demands." These demands included (1) ban on the exports to the Axis of arms and parts, ammunition, hand-lamps, fuses, airplanes and parts, radio equipment, telephone and telegraph equipment, gas and petrol driven motors, and automobile tractors and parts, (2) reduction of transit traffic to goods for civilian use and to normal peace-time levels taking into account Allied reconquest of the greater part of Italy. In return we agreed that the Swiss might import one quarter of certain stocks which they owned overseas.

The Swiss have now met our demands with respect to exports. The ban on locomotives, automobiles and Diesels are however not to be implemented until January 1.

With respect to transit the Swiss have banned transportation of war materials and a list of articles which might be useful in war, including petroleum in both directions, and in addition they have banned transportation of loot from Italy in the northern direction. They have agreed to a long list of items which will be treated as loot. The Swiss have not met our demands to limit transit to goods, for civilian use and normal levels. We are now chiefly interested in the North-South coal traffic, which amounted to 60,000 tons in October (1938 monthly average was 108,000 tons).

The Swiss have thus substantially met our "minimum demands" and the U.S. and U.K. Legations in Bern as well as the British Embassy here are strongly urging that the Swiss should now be permitted some supplies if we expect further concessions in the future negotiations.

The Foreign Economic Administration, whose responsibility in the question is limited to that of economic warfare alone, while agreed with the Department as to the objectives to be sought, advocates methods of

~~SECRET~~

extreme pressure on the Swiss to achieve those objectives. These methods include withdrawing our September offer of raw materials and threatening to denounce those provisions of the War Trade Agreement by which we bound ourselves to release certain amounts of food and fodder to Switzerland.

In July the U.S. Joint Chiefs of Staff disagreed with the British Chiefs of Staff in connection with supplies for Switzerland. The U.S. Chiefs took the view that the elimination of Swiss exports to Germany could best be accomplished by denying Switzerland imports. The British Chiefs took the view that this policy would be more likely to force Switzerland entirely into the German economic orbit. They advocated continued negotiations using supplies as bargaining counters to accomplish further reductions in Swiss exports to the enemy (letter July 26 from Combined Chiefs of Staff to State Department).

The whole question of our policy toward Switzerland with special reference to economic warfare considerations has recently been reviewed by the Joint Chiefs of Staff. Mr. Harrison, our Minister at Bern, and officers of the Department were heard by the Joint Chiefs' Strategic Survey Committee. While for technical reasons the decision of Joint Chiefs has not been and will not be communicated to the Department, it is understood informally but authoritatively that in so far as the Joint Chiefs of Staff are concerned, the Department is to pursue economic warfare negotiations in the manner it judges most effective to obtain the desired results.

Economic warfare considerations, important as they are, must be placed in their proper proportion and given their proper weight in the whole picture of our relations with Switzerland. It seems appropriate to review the other aspects thereof.

Switzerland differs from other neutrals in that her neutrality is not unilateral. It is a neutrality which has been guaranteed for many years by the major powers. As a result of this neutrality she is able to perform certain indispensable services for all the belligerents and claims in return the right to trade with such of them as will help maintain her essential economy and

internal

SECRET

internal stability. As far as the United States is concerned she serves as the protecting power for our general interests and in particular for our prisoners of war in Germany and Japan. It is the agreed policy of the British and American Governments to avoid forcing Switzerland to a break with Germany. Such a break would make it impossible for her to continue to represent British and American interests in Germany and might likewise affect her position in so far as Japan is concerned. It is essential as the situation in Germany becomes more and more disturbed that we endeavor to obtain the greatest degree of protection not only for our general interests but especially in regard to matters relating to prisoners of war. But it should be remembered that the effectiveness of Switzerland's protection can be much altered by a severe deterioration of her relations with Germany short of a complete rupture.

Related to but not directly connected with the protection of American interests by Switzerland are her humanitarian efforts, undertaken at the request of the American Government, on behalf of the Jews in Central Europe. At our request, she has recently agreed to admit some 15,000 additional Hungarian Jews in spite of the increased strain on her general food problem.

Switzerland may in the immediate future, and certainly in the post-hostilities period, make contribution out of all proportion to her size to the war effort and the rehabilitation of Europe. The recent efforts of a SHAEF mission to obtain tank cars, wooden barracks, vegetables, etc., for the use of our armies are a straw in the wind. The question of using the tire-making facilities of Switzerland to supply tires to our armies has been raised in Washington. It is certainly of importance to us that the Swiss industrial machine be kept alive for its future usefulness. Looking to the future, the advantages to us of an economic unit strongly imbued with the spirit of free enterprise so far east in Europe are likewise worthy of consideration.

The integration of Switzerland into the Anglo-American economic system from which she has been so long isolated is not only desired by the Swiss but would appear to be of interest to ourselves. The

longer

SECRET

II-9/5

longer we withhold raw materials the longer she remains dependent on supplies derived from our enemies to whom she must continue to pay a price. However, German coal appears to lie at the heart of the transit problem. Since it is not in our interest to force Switzerland into rupture with Germany, the latter will continue to receive certain benefits in return for the coal essential to Swiss economy, which we cannot supply until we control the German mines.

Lastly, it must be remembered that no people in Europe are more profoundly attached to democratic principles than the Swiss. Continued moderate prosperity will ensure the maintenance of the present economic and political system which is so close to our own.

Prepared by:

WRA:JV Lovitt
EUR:W Wallner

Approved by:

EUR:PTOulbertson
WRA:OPTar's
EUR:JDKickerson