SWITZERLAND

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND SWITZERLAND

611.5431/48

The Swiss Minister (Peter) to the Assistant Secretary of State (Sayre)

WASHINGTON, May 7, 1934.

My Dear Mr. Sayre: Pursuant to our conversation of this morning, I beg to confirm that if and when the necessary powers for entering into foreign trade agreements are granted the President of the United States my Government will be glad to be included among the countries with which the American Government will study the possibilities of concluding an agreement such as provided by the bill actually under discussion in Congress.

It is well understood that nothing can be done before the law is passed and before the organization for making the preliminary studies is developed, but the Swiss Government hopes that some exploratory conversations will take place as soon as the American Government shall deem it advisable.

Believe me [etc.]

MARC PETER

611.5431/52

Memorandum by the Assistant Chief of the Treaty Division (McCure)


Mr. Micheli called at my office on June 14, 1934, and, after discussing the new tariff act, stated that Switzerland desired to begin negotiations with the United States for a reciprocal trade agreement. He said that his Government would be ready to begin actual negotiations as soon as this Government should notify it that the time was also convenient from the point of view of the United States. He said that, of course, a brief time would be necessary in order to bring an expert

1 Powers granted by Congress June 12, 1934; 48 Stat. 943.
2 Louis H. Micheli, Counselor of the Swiss Legation.
3 Reciprocity Tariff Act of June 12, 1934; 48 Stat. 943.
to this country and assemble the requisite information. He stated that there had already been sent to the Department a statement in writing indicating that Switzerland was prepared to negotiate.

I told Mr. Micheli that the organization for carrying on negotiations on behalf of this Government was being perfected and that it was hoped that actual negotiations could begin within a reasonable time. I added, however, that of course negotiations could not be carried on with very many countries at once and that I could not say in advance when it would be possible to negotiate with Switzerland. I suggested that, when this Government should be ready, a note, in final reply to the note of the Swiss Government could be sent to the Minister.

Mr. Micheli appeared to be satisfied with this response.

(My understanding is that tentative plans call for negotiations with Switzerland among the first.)

611.5431/55

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] July 17, 1934.

The Swiss Minister called by appointment on Mr. Sayre and Mr. Moffat this afternoon. Mr. Sayre had asked to see him before he left for Switzerland on his annual vacation tomorrow.

Mr. Sayre remarked that when he last talked with the Minister our organization to undertake trade negotiations had not been completely set up. Now, however, that it is completed, he was prepared to tell Mr. Peter that, if agreeable to the Swiss Government, we would be prepared to go ahead with the negotiations upon his return in late September. He asked Mr. Peter to inform the Swiss Political Department to this effect and to request it to undertake the necessary studies covering their desiderata. As soon as we were informed that this was agreeable, we would promptly set up a Special Committee to make an intensive study of Swiss-American trade.

Mr. Peter said that he could, on the basis of instructions previously received, inform Mr. Sayre forthwith that this was agreeable and that he might proceed to the nomination of the Commission in question. As far as the Swiss studies were concerned, they were already partially completed. It was no secret that the first and foremost on the list of Swiss desiderata was some relief on the question of watches and watch parts. He quoted figures to show the virtual destruction of this important element in Swiss-American trade.

It was agreed that Mr. Sayre's proposal and the Minister's acceptance would be kept confidential for the time being.
Upon the Minister's return on September 25th, he will call on Mr. Sayre with instructions in hand and ready to start immediate negotiations.

PIERREPOINT MOFFAT

611.5431/55 : Telegram

The Secretary of State to the Minister in Switzerland (Wilson)

WASHINGTON, July 18, 1934—5 p. m.

39. We informed the Swiss Minister yesterday that, if agreeable to the Swiss Government, we are prepared to enter upon reciprocal tariff conversations with Switzerland upon the return to Washington of Mr. Peter in September. Meanwhile, we requested that the Swiss Political Department complete the necessary studies covering their own desiderata; for our part, we undertook to set up without delay a Special Committee to study and formulate our wishes.

We are anxious to keep this proposal confidential in order that if our points of view turn out to be too far apart to warrant the successful conclusion of an agreement, it may not appear that there has been an actual breakdown in negotiations.

You may discuss the foregoing confidentially with the appropriate Swiss officials.

Please prepare one or more despatches reporting in detail, for the consideration of the Committee referred to in paragraph 1, (a) any recommendations you have concerning the conduct of negotiations, (b) the essential concessions or commitments for which you feel we should ask, (c) the concessions or commitments from us to which you feel Switzerland is going to attach the greatest importance, and (d) any other pertinent information you may have regarding Swiss trade policy, commercial treaties either concluded or under negotiation with other countries.

You may, of course, call freely upon consular officers stationed in Switzerland.

HULL

611.5431/75

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] October 1, 1934.

The Swiss Minister called by appointment to see the Secretary at ten o'clock on October first. The Secretary asked me to be present at the interview. After a few pleasant remarks, the Secretary began
by asking the Swiss Minister whether the European countries did not see that they are traveling the pathway of economic suicide and that unless something is done to correct the present trend only disaster can result. The Swiss Minister replied that this is true in theory but that in the world of fact no government felt able, unaided, to prevent that present trend. The Secretary suggested that in spite of the mistakes of the former Administration in its tariff policy this Administration is sincerely anxious to lead the way toward a liberalization of world trade, and that we hoped we could rely on countries like Switzerland to back us up in this effort. This is the reason why we felt so deeply the announcement of the Swiss reduction of quotas on American automobiles for 1936 to half the present quota. The Minister replied that the Swiss Government was only fighting for its life in self-defense and that the quotas were the only way his Government had of fighting its economic battle. He suggested that tariffs would not prevent the country being flooded with imports from such countries as Japan. The Secretary explained to the Minister that for Switzerland to cut in half the American quota just on the eve of pending negotiations for a trade agreement put the United States in an impossible situation, since it could not succeed in its program of tariff negotiations with other countries if it allowed trade restrictions to be imposed just on the eve of trade negotiations. Padding tariffs and imposing quotas for bargaining purposes can not but result in heightened rather than in lowered trade obstacles.

At this point, the Secretary found it necessary to leave to attend the press conference, and the Swiss Minister asked if he might talk the matter over further with me. I of course said I should be very glad to do so. We then withdrew to my office when [where] the Swiss Minister and I had a very frank talk together. He asked me what it would be possible, under the present circumstances, for the Swiss Government to do. I replied that I did not feel that I could make suggestions to his Government. I explained to him, however, that I hoped he would understand that it was not a feeling of resentment on the part of our Government which prevented going forward with negotiations. I explained to him that once countries began to pad tariffs and cut quotas on the eve of negotiations our whole trade agreements program must end in failure, that padding was the dagger which would strike at the whole heart of our program, and that if other countries once saw that we were willing to negotiate with a country which had just padded its tariffs or reduced quotas on the eve of negotiations, every country would do the same and there would be an end of all hope for our liberalizing program. I explained to him that this Government is very sincerely anxious to liberalize foreign trade, as I sug-
gested Switzerland must be also, and that whatever made such a program impossible would be against the ultimate best interests of his Government as well as my own. I therefore suggested that if the Swiss Government insists upon the American automobile quota being cut in 1935 I did not see how it was possible for us to go forward with a trade agreement with Switzerland at this time. When he asked again "how can we possibly correct the situation", I suggested that, although I could make no proposals to his Government nor was I in a position to make any commitments of any kind without consulting the Secretary, nevertheless he might see fit to recommend to his Government the withdrawal of the announcement of the cut in the 1935 quota and substitute in place thereof an announcement to the effect that since it was hoped in the near future to open trade negotiations with the United States the present quota for automobiles should remain, during say the first six months of 1935, unchanged; i.e., 25 percent of the 1932 quota would be allowed from January 1 to June 30, 1935, and that no announcement as to further quotas could be made until the Government knew what the trade picture would look like later on. I said that if the Swiss Government made some proposal of this kind we would at once give it study and serious consideration. I was careful, however, in no way to commit myself as to what the outcome of such study would be. The Minister replied that he would at once cable this recommendation to his Government as coming from him himself.

The Minister next brought up the question of where the negotiations should take place. He said that it seemed impossible to carry them forward in Washington inasmuch as the experts at the disposal of his Government were so deeply occupied already at Berne that it would be impossible to spare them to send them to Washington. He further said that there was no one in this country who could carry on the contemplated negotiations and he therefore hoped that it would be possible to conduct the negotiations at Berne. I replied that I should be glad to consider this matter and that, although until further consideration no reply could be given him, I could at least assure him that the question of where the negotiations should be held would not be a sufficiently serious problem alone to block the negotiations.

The Minister next asked me how soon we could begin negotiations if the present difficulties were straightened out. I replied that we had hoped that Switzerland would be among the first of the countries with which we would negotiate but that due to her recent action we had had to allow her place in the schedule to be taken by another country, and that now the time of our experts was so filled up that I could not promise that Swiss negotiations could be taken up until the work on some of the other countries had further progressed.
At the completion of the interview the Minister expressed himself as understanding entirely our position and said that he would at once cable to his Government the recommendation suggested above.

F. B. SAYRE

611.5431/78

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] October 6, 1934.

The Swiss Minister called on Mr. Sayre this morning. He came to confirm the news he had given over the telephone that in order to show its good will the Swiss Government had withdrawn its declaration of quotas for next year and pledged itself to keep the present quotas pending negotiations and at least up to the completion of the trimester in which negotiations might possibly break down. Mr. Sayre said that he assumed that this applied to all quotas and not merely to automobiles. The Minister confirmed this saying that his telegram to which he had just received a reply was not limited to automobiles but covered all forms of American imports.

The Minister then brought up the question of the time for negotiations. Mr. Sayre explained the program in which we were engaged, the number of committees we had working, the number of men who were being driven day and night. He agreed that we would hurry things along and agreed to set as a goal the exchange of desiderata for the month of December. The Minister thought this was very slow, particularly in view of the fact that Switzerland had yielded to our wishes in the quota matter. He was afraid that the Swiss Government would feel that having obtained an advantage, we wished to push it further by delaying conversations to take advantage of a situation that had been stabilized in our interest. It finally became clear, however, that if we would give public announcement of the intent to negotiate with Switzerland during the month of October, the Swiss Government would be able to make out a good case to its public.

With regard to the locus of negotiations, Mr. Peter once again indicated the virtual impossibility for Switzerland to carry them on in Washington. Mr. Sayre replied that we were almost in the same situation with regard to carrying them on in Berne. In other words, we did not have sufficient trained personnel to send abroad for individual negotiations. Further, the negotiations were part of a large program and if we should agree to hold any one set of negotiations abroad, we would be placed at a disadvantage in refusing the same request from others. What Mr. Sayre had hoped was that we could exchange desiderata and advance a considerable way on the path of
negotiation through the normal channels of diplomacy, and that at the end we might persuade Mr. Stucki to make a brief trip over here. We realized that his time would be short but we could undertake to put all the forces of the Department to work to hurry things through. We would like this not only in connection with the trade promotion work but we would like Mr. Stucki to see through personal observation the working of our economic system and to make the acquaintance of our leading exponents of economic, financial and commercial thought. Mr. Peter said that Mr. Stucki had been here recently but Mr. Moffat reminded him that this was before the change of Administration which had so completely altered the situation from the three angles we had mentioned. Mr. Peter then said that as far as he was concerned, we would leave the question open and revert to it at a later date.

Pierrepont Moffat

611.5431/79 : Telegram

The Acting Secretary of State to the Minister in Switzerland (Wilson)

WASHINGTON, October 19, 1934—6 p. m.

61. We are prepared to give public notice in the press appearing Tuesday evening, October 23, of intention to negotiate a foreign trade agreement with the Government of Switzerland. Announcement will be made at the same time for the benefit of American interests concerned that the Committee for Reciprocity Information has prescribed that all information and views in writing and that all applications which supplement them shall be submitted to the Chairman not later than December 10; oral presentation of views by persons whose applications therefor have been approved will be heard December 17.

Please inform Swiss Government in case it desires to make simultaneous announcement and report whether this course is agreeable to the Swiss Government.

Phillips

611.5431/80 : Telegram

The Chargé in Switzerland (Williamson) to the Secretary of State

BERNE, October 20, 1934—noon.
[Received October 20—8:20 a.m.]

41. Department’s 61, October 19, 6 p. m. Swiss Government has no objection to plan.

Williamson

* Walter Stucki, Chief of the Commercial Division of the Federal Department of Public Economy of Switzerland.
* Department of State, Press Releases, October 27, 1934, p. 273.
The Secretary of State to the Chargé in Switzerland (Williamson)

[WASHINGTON,] November 14, 1934—7 p. m.

67. Department has been informed that a number of Swiss business interests are planning to come to this country for the Swiss hearings on December 17. If true such a plan is based on a misconception of the purpose of the hearings which is primarily to enable American interests which feel that they may be affected by the proposed treaty to make suggestions, arguments or requests prior to the culmination of the actual negotiations. We feel it would be a mistake for foreign interests as such to make statements at these public hearings as it might well awaken resentment in this country. American importers of Swiss products may, and undoubtedly will present statements. Please take this matter up informally with appropriate Swiss authorities.

Hull

The Chargé in Switzerland (Williamson) to the Secretary of State

BERNE, November 15, 1934—1 p. m.
[Received November 17—9:50 a. m.]

42. Department’s 67, November 14, 7 p. m. Swiss Department of Public Economy has already on more than one occasion strongly advised against Swiss business interests making proposed démarche on December 17. While it of course cannot prevent departure to the United States of Swiss citizens it will reiterate its position through official and semiofficial bodies such as Chambers of Commerce.

Williamson

The Secretary of State to the Chargé in Switzerland (Williamson)

WASHINGTON, December 20, 1934—5 p. m.

71. Detailed statistical studies in regard to Swiss-American trade are now in course of preparation. These studies will be completed about the middle of January, at which time the country committee on Switzerland will begin consideration of them. Consideration will first be given to the concessions which we will seek from the Swiss. It is expected that we will be prepared to submit to the Swiss the American requests some time between February 15 and March 1. I suggest that you discuss this informally with the appropriate Swiss authorities to see whether the Swiss Government will be in a position to present its desiderata at about the same time.

Hull