SWITZERLAND

EFFORTS OF THE SWISS GOVERNMENT TO ARRANGE FOR SECURING WAR EMERGENCY SUPPLIES FROM THE UNITED STATES

854.24/31

Memorandum by Mr. Roy Veatch of the Office of the Adviser on International Economic Affairs

[WASHINGTON,] May 1, 1939.

Representatives of the other interested agencies of the Government, as well as members of various divisions in the Department of State, met with Mr. Sayre on the afternoon of May 1 to discuss a confidential mission being undertaken in this country by representatives of the Government of Switzerland. The Minister of Switzerland, Mr. Marc Peter, accompanied the special representatives of his Government, Dr. Felix Somary, a confidential economic and financial adviser of Federal Counselor Obrecht, the chief of the Swiss Federal Department of Public Economy, and Mr. Ernest Liechti, director of the Swiss Cooperative Society of Cereals and Fodder Materials. The following officials of this Government were present:

Mr. F. H. Rawls, Assistant Director, Bureau of Foreign and Domestic Commerce, Department of Commerce;
Mr. Louis Domeratzky, Chief, Division of Regional Information, Bureau of Foreign and Domestic Commerce, Department of Commerce;
Mr. Leslie A. Wheeler, Chief, Foreign Agricultural Service, Department of Agriculture;
Mr. Huntington T. Morse, Assistant to the Chairman, United States Maritime Commission;
Mr. Francis B. Sayre, Assistant Secretary of State;
Mr. Herbert Feis, Adviser on International Economic Affairs, Department of State;
Mr. Paul T. Culbertson, Assistant Chief, European Division, Department of State;
Mr. Jacques Joseph Reinstein, Division of Trade Agreements, Department of State;
Mr. Roy Veatch, Office of the Adviser on International Economic Affairs, Department of State.

At Mr. Sayre’s request, Dr. Somary summarized the principal features of his mission, in much the same terms as set forth in the back-
ground memorandum furnished those present in advance of this discussion. He stressed particularly the difficulties which would be experienced by Switzerland in securing essential foodstuffs and raw materials in the event of a general European war, the desire of his Government, therefore, to secure binding contracts for the supply of American commodities during such periods and the chartering of American vessels for the transportation of these commodities, and the hope that this Government would be able to offer some assurance that the fulfilment of such contracts would not be made impossible by Government action.

Dr. Somary recognized that this Government could not be fully committed in this respect unless an agreement were to be drawn up and approved by Congress. Since his Government was anxious to avoid all publicity regarding the matter, however, a treaty is out of the question and he desires to secure, therefore, merely a statement of policy or intention on the part of the Executive.

Following Dr. Somary's summary Mr. Sayre expressed what he was sure would be the sympathetic interest of this Government and its desire to cooperate in whatever way would prove to be possible. It seemed to him, however, that it would be impossible for the Executive to make any binding commitments if the possibility of a treaty is to be ruled out; not only would the Executive be unable to control Congress, but the present Executive would be unable to control the next Executive. Mr. Sayre asked, therefore, whether it would not be desirable, from the standpoint of the Swiss Government, merely to seek a mutual understanding of the problems and needs outlined by Dr. Somary and of the position of each Government with respect to those needs.

Dr. Somary understood that the Department of State would be unable to make any binding commitments, but he expressed the hope that the Department, and eventually the President, would be prepared to make a declaration that, so far as it would not be prevented by law, the Executive would allow these contracts to be carried out. Dr. Somary felt that if his Government had some such statement as this from the Department, with the President's approval, he would consider it worth while to go ahead with his program of securing contracts with American concerns. He suggested further that each contractor should furnish the Department of State with a copy of the contract so that the matter might be brought directly to the attention of the Department; this would be done without any knowledge on the part of the contractors of the discussions or understandings reached with the Department of State.

1 Memorandum of April 28, by Mr. Veatch, not printed.
Mr. Sayre pointed out that the entire subject of the neutrality legislation was under consideration in Congress at the present time and that the President would be in no position to say what American policy will be until this question is decided. At this point Dr. Somary made it clear, however, that he desired no commitments with respect to laws, but only a declaration that, so far as the President would have executive discretion, he would refrain from placing impediments in the way of the contracts to be negotiated by Switzerland.

Mr. Sayre then asked if the best arrangement would not be for the Government of Switzerland to inform the United States Government of the contracts which it negotiates, expressing the hope that so far as possible any action would be avoided that would prevent the fulfillment of these contracts. He went on to say that in its reply this Government would take note of the information supplied by the Swiss Government, might express the sympathy and goodwill of the United States toward Switzerland, and then might say that, in the event of general warfare in Europe, this Government would hope to assist the Swiss Government, in connection with its supply problems, in such way as would prove possible.

Mr. Sayre and Mr. Feis spoke in favor of such an arrangement in preference to any “understanding” which might be considered secret and be misinterpreted by Congress. In Mr. Feis’ opinion the contracts with private American interests would almost surely become known to the press so that secrecy would be impossible in any event.

There was general agreement on the part of the representatives of this Government present that such an exchange of communications would be the best way of handling the problem. Mr. Sayre expressed the opinion that in any event the Secretary and the President would not wish to go further.

Dr. Feis suggested that from the point of view of Switzerland greater certainty with respect to necessary supplies might be achieved through the creation of reserve stock-piles of required commodities in Switzerland. In commenting on this suggestion Dr. Somary pointed out, however, that the Swiss Government under its constitution has no authorization to buy goods and thus to engage directly in trade except in time of war. He felt that his Government would not wish to raise the constitutional and political questions involved at the present time, especially in view of its desire to avoid publicity. Furthermore, he pointed out that there is no further storage space available in Switzerland, or in France for that matter, and that therefore stocks acquired would have to be warehoused in the United States.

At Mr. Sayre’s invitation, Dr. Somary next outlined or summarized the plan to secure option contracts for the chartering of American vessels, especially tankers, in time of war. He said that his Govern-
ment had already made inquiries in order to learn what vessels might be available in case of a European conflict and had found that British, Dutch, and French vessels would be available only for the carriage of goods exchanged between these countries or their dependencies and Switzerland. It had been learned that only the Greek and Norwegian merchant marines would be available, and his Government feared that Greece might become involved, leaving only Norway as a source of supply. Since his Government would be in particular need of tankers to transport the all-important petroleum products, it was particularly anxious to make all necessary arrangements in the United States. His Government was particularly concerned regarding the availability of such vessels in the event that the American Government should follow a "cash and carry" policy as a means of protecting its neutrality in time of war or in the event that the United States should become engaged in war and therefore impose restrictions upon the use of American shipping. He also mentioned the desire of his Government to operate the chartered American vessels under the American flag, at least to the extent that these vessels would be engaged only in the transportation of American goods; otherwise it would be necessary to place the American vessels under another flag, which would be unwelcome from the point of view of the Swiss Government.

Mr. Sayre again mentioned the fact that neutrality legislation is still under consideration; it was still too early to know what form this legislation would take, but he would not be surprised if the "cash and carry" policy should be continued. Until this legislation was decided upon, he felt the President could not commit himself, and that even then there would be the undetermined problem of our own needs for tonnage in the event of war. Mr. Sayre went on to say, however, that it would not necessarily be impossible for Switzerland to secure American shipping in times of emergency, for there would always be considerable pressure here to sell American surpluses abroad, the neutrality or shipping policy of this Government might be reconsidered, and in any event no doubt more ships would be built in time of need.

Mr. Morse added that American ships would probably be required to carry essential imports to the United States, and that therefore tonnage might be allotted to neutrals for exports from this country so that the vessels would not have to go in ballast on the outward journey. He went on to say, however, that it would be impossible to make advance commitments on tonnage. There is a statutory provision that

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the Maritime Commission must approve the charter of vessels or the transfer of flag for any period longer than twelve months.

Dr. Somary was asked whether the Swiss Government would be prepared to offer guarantees that the supplies secured from this country would not be transshipped to belligerents. In reply he said that his Government would be prepared to guarantee that not a ton of these supplies would reach a combatant; its good faith could be tested by reference to the amounts of each commodity required, which obviously would be sufficient only to meet the minimum needs of Switzerland.

Mr. Domeratzky inquired as to whether the Swiss Government could guarantee that imported supplies would not be confiscated by the government through whose territory they would be carried from the port of arrival. On this point Dr. Somary said that of course his Government would be in no position to offer guarantees. His Government anticipated no difficulty, however, since the French Government, which would make a port available to Switzerland, had raised no difficulties during the last war when Switzerland had secured its supplies through the French port of Cetate.

Mr. Sayre suggested, and it was agreed, that the problem of shipping might be covered in a general way in the suggested exchange of notes between the two Governments. He added that whatever was said in these notes would not be of great importance in any event. The important thing was that the Swiss Government could count upon a cooperative spirit on the part of the American Government and people. He would expect that when hostilities should break out, representatives of the two countries would get together and work out ways and means of getting American surpluses to Switzerland.

It was agreed that an exchange of notes, following the lines suggested, should be drafted for consideration by Dr. Somary and the Swiss Minister and by the Department.

854.24/37

Memorandum by Mr. Roy Veatch, of the Office of the Adviser on International Economic Affairs, to the Economic Adviser (Feis)

[WASHINGTON,] May 8, 1939.

MR. FEIS: The Swiss Minister, Dr. Somary, and Mr. Liechti came to the Department Tuesday morning to discuss the drafting of a statement along the lines suggested by Mr. Sayre in our Monday afternoon conference. After discussion, they expressed their desire to handle the matter in the following way:

1. The Minister would address to the Secretary a communication setting forth the nature of Dr. Somary’s mission, including the desire
of the Swiss Government to secure optional contracts for the supply of foodstuffs and materials (with the proposed list and amounts annexed) and for the charter of certain vessels. The letter would inquire then as to whether the Department saw objection to the negotiation of such contracts with private business interests in this country covering "any and all conditions which might arise." The letter would then state the difficult position of Switzerland in case of a European conflict and the necessity of securing supplies from the United States. It would then raise the principal point in somewhat the following form:

"We would be very much interested to know the attitude of the United States Government regarding the execution of such contracts. In view of the dependence of Switzerland upon American supplies in such an emergency, we hope that nothing will be done by the American Government to prevent the carrying out of these contracts."

The Minister’s letter would then close with an offer to supply this Government with copies of all contracts negotiated with American concerns, and a statement that the negotiators would be glad to suggest that the American concerns also supply the Department with copies of the contracts if the Department so desires.

2. The nature of the Department’s reply to such a letter from the Minister was discussed. Apparently Dr. Somary and the Minister would be pleased with a reply along the lines of the attached draft.¹

3. I have agreed to go over this draft with them before sending it around the Department, although I stated that I would, of course, bring it to your attention first. They are now drafting their letter and intend to bring it to the Department as soon as it is ready.

4. We will then discuss the two drafts and after any desirable changes have been made, it is the plan to circulate both drafts in this Department for comment and criticism.

5. When both letters are in a form approved by the Department, then the Swiss Minister will send his letter to the Secretary.

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854.24/27

The Swiss Minister (Peter) to the Secretary of State

WASHINGTON, May 26, 1939.

Sir: On behalf of my Government regarding the mission of Dr. Felix Somary and Mr. Ernest Liechti, I have the honor to inform you that the Federal Council of Switzerland is contemplating the conclusion of “option contracts” lasting several years, with American leading firms, for the purchase of foodstuff and raw materials of which

¹ Not attached to file copy of this document.
the specification and quantities are listed in the attached document, and, furthermore, the conclusion of “charter contracts” for vessels, also with an option for several years.

All these agreements are framed in binding terms, without any qualification for all possible events, including an international conflict, as they are especially framed for these eventualities. The Government of Switzerland desires particularly to bring to the knowledge of the American Government these plans before entering into negotiations with the firms concerned.

Because of her location in Central Europe, without access to the sea, because of her highly developed national economy and of her old free trade traditions opposed to any autarchy tendencies, Switzerland depends on world economy more than any other country. Swiss foreign trade exceeds per capita that of any other nation. With not much more than 4 million inhabitants in a small area, Switzerland has nearly the same value of exports as the great Russian empire with 160 million inhabitants. Switzerland must import raw materials and foodstuffs and export mainly manufactured goods. Switzerland is, therefore, disturbed more than any other country by international troubles. Considering the eventuality of troubles in our times, it is feared that the traffic with the countries East of Switzerland and in the Mediterranean Sea could be entirely interrupted, and so, Switzerland would be deprived of her normal supplies. Therefore, the only possible way of replacing these imports would be an extension of the trade with the United States. Mention should be made that Switzerland would limit the proposed contracts with concerns in the United States to foodstuffs and raw materials, excluding war materials. Besides, Switzerland would guarantee not to re-export any of these imported goods to belligerent countries.

The Swiss Government is asking the Government of the United States whether it would have any objections to the negotiation of such option contracts. The contracts are to be made on a cash and not a credit basis. It is to be noticed that Switzerland has no financial engagements with the United States, has never failed in her obligations and has repaid all the loans issued in the United States or in other countries.

Switzerland is prepared to send copies of all these agreements to the State Department.

Switzerland is also compelled to make option contracts for vessels. So far, the negotiations with other great Powers on that line have not been successful, because they all declared they would need all their vessels themselves. Switzerland must, therefore, have the possibility to obtain also American tonnage, especially for the transportation of

*Not printed.*
American goods. Eventual option contracts for vessels, which would likewise be on a cash and not a credit basis, would also be brought to the knowledge of the State Department.

Switzerland has good reasons to believe that ports would be especially placed at her disposal by her neighbors for her foreign trade. From these ports, the goods would be transported to Switzerland with Swiss railroad material. The supply of these goods is of vital interest for the Swiss people and for maintaining the national economy of Switzerland. The Government of Switzerland has, therefore, a high interest to know the attitude of the American Government concerning the fulfilment of these proposed contracts. It is indeed exceedingly important for Switzerland to know in advance that if some difficulties should arise which would endanger in any way the fulfilment of these contracts, the Swiss Government could be assured that the American Government would insofar as possible endeavor to render assistance in overcoming these difficulties, so that Switzerland could obtain from the United States the commodities necessary for her existence.

Accept [etc.]

Marc Peter

854.24/27

The Secretary of State to the Swiss Minister (Peter)

WASHINGTON, May 27, 1939.

Sir: Most sympathetic consideration has been given to your note of May 26, 1939 transmitting information regarding arrangements contemplated by the Federal Council of Switzerland for securing certain supplies from the United States.

I have noted your statement of the desire of the Federal Council of Switzerland to negotiate option contracts with American concerns for the supply of certain foodstuffs and raw materials to Switzerland in the event of a general European conflict. You inquire as to whether there would be any objection on the part of this Government to the negotiation of such contracts, and I am glad to be able to state that so far as this Department is aware there would be no objection, provided, of course, that the proposed transactions would not be in conflict with the rules and principles of international law or statutory enactments, regulations, or treaty obligations of this Government.

I have noted also your statement that the Government of Switzerland would likewise desire to negotiate option contracts to charter certain American vessels in the event of a general European conflict. You also inquire if there would be any objection on the part of the American Government to such contracts, and, again, I can assure you that so far as this Department is aware there would be no objection, provided that the contractual obligations assumed by the American
concerns, and the actual carrying out of the plan, would not conflict with the rules and principles of international law, or statutory enactments, regulations, or treaty obligations of the United States.

I need not assure you that in the future as in the past, both the Government and the people of the United States will have the steady desire to maintain the friendliest and fullest possible commercial relations with the Government and people of Switzerland. This desire, I am confident, will be present under all circumstances. The action that this Government, however, may be compelled to take under any future sets of circumstances cannot be determined in advance and would have to fall within the rules of international law and the course of domestic legislation.

Accept [etc.]

Cordell Hull

The Swiss Minister (Bruggmann) to the Secretary of State

Washington, November 28, 1939.

Sir: The European war has created for Switzerland the situation which had been foreseen when, with the knowledge of the Department of State, option contracts for the purchase of different important commodities have been concluded in 1939 between the Swiss Government and outstanding American suppliers.

With your note of May 27, 1939, you gave the assurance that in the future as in the past, both the Government and the people of the United States will have the steady desire to maintain the friendliest and fullest possible commercial relations with the Government and the people of Switzerland. You expressed confidence that this desire would be present under all circumstances. Your assurance has been highly appreciated by the Swiss Government and has no doubt influenced the intention of my country to purchase and to store in the United States an important reserve of commodities most vital to its existence.

Relying on these option contracts with American suppliers and on this assurance of the Department of State, the Swiss Government is disposed to begin now the necessary purchasing transactions. Simultaneously, it is weighing the creation in the United States of an organization with the purpose of supervising these purchases as well as the necessary storing transactions in this country and the transportation of such commodities overseas.

To secure a useful operation of the organization which the Swiss Government has in mind, it seems to me very desirable that the United States Government would agree to examine and discuss appropriate steps with a view to keeping itself in permanent touch with
such a Swiss organization and to consider all matters of mutual interest in order to eliminate as far as possible difficulties that may arise in connection with the organization's operations.

Arrangements to this effect would undoubtedly materially influence the extent of Swiss purchasing transactions in this country.

Accept [etc.]

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854.24/46

The Secretary of State to the Swiss Minister (Bruggmann)

WASHINGTON, November 30, 1939.

Sir: In your note of November 28, 1939 you inform me that the Swiss Government is disposed to begin the purchase in the United States of various commodities under option contracts concluded earlier in this year. I also note that the Swiss Government is considering the creation in the United States of an organization for the purpose of supervising these purchases and the storage and transportation of the commodities so acquired.

You suggest that it seems to you desirable that the United States Government should agree to examine and discuss appropriate means by which this Government could keep in permanent touch with the projected Swiss organization. This Government will be glad through appropriate channels to maintain contact with the Swiss organization to consider all matters of mutual interest in order to eliminate, as far as possible, difficulties that may arise in connection with the organization's operations. The specific transactions of purchasing, storage and transportation would, of course, be matters between the Swiss Government and private American interests.

So far as I understand the nature and general terms of the proposed transactions, they would appear to encounter no difficulty by reason of any existing legislation in the United States. As I stated in my note to you of May 27, 1939, it is the desire of the Government and people of the United States to maintain the friendliest and fullest possible commercial relations with the Government and people of Switzerland. As I stated at that time, however, the action that this Government may be compelled to take under any future sets of circumstances cannot be determined in advance and would have to fall within the rules of international law and the course of domestic legislation.

Accept [etc.]

Cordell Hull