

44

ANGLO-SWISS RELATIONS 1914-1918

with special reference to the Allied blockade of the
Central Powers

by

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ABSTRACT

Allied blockade policy during the First World War jeopardized the traditionally amicable relations between Great Britain and Switzerland. Situated between the two belligerent camps, neutral Switzerland was compelled by the peculiarities of her economic structure to maintain normal commercial ties with both the Allies and the Central Powers. In exercising diplomatic and commercial pressure on the Swiss to minimize trade with Germany and Austria-Hungary in conformity with the demands of the blockade, the Foreign Office had to avoid the extremes of forcing the confederation into alliance with the enemy for the sake of economic survival, and of drawing her into complete dependence on the Allies for materials whose delivery would have constituted an embarrassment if not an impossibility. Direct pressure on the Swiss executive had its limits as the Swiss government could not compromise their nation's neutrality by issuing export prohibitions too favourable to Allied blockade policy.

The British solution to these problems was found in a policy of agreed rationing and in the establishment in autumn 1915 of the S.S.S., a semi-official agency under the direction of Swiss businessmen. This body acted as unique consignee and distributor for all goods from the Allied countries or from abroad transported across Allied territory, and controlled the re-export of these goods to the Central Empires.

German counter-pressures, Allied need for substitute markets in Switzerland, and the technical difficulties of imposing control on a free-wheeling economy made the operations of the trust organization at first difficult and unpopular. British firmness and Swiss realization of the advantages of co-operation, however, ultimately made the trust a great success so that by autumn 1916 the Swiss section of the blockade was regarded as the most efficient in Europe.

At the same time, a jealous regard for their national sovereignty and forthright openness with both belligerent groups enabled the Swiss government to maintain complete political independence. A rational policy of commercial control, agreed to and conducted by Swiss businessmen under the guise of a commercial enterprise, obviated foreign interference in the political life of the nation and avoided the dangers for Swiss independence inherent in British wartime policy. In this way the continuance of cordial Anglo-Swiss relations was ensured during the difficult years 1914-1918.

PREFACE

The subject of this thesis was suggested by Professor W.N. Medlicott whose official history of the blockade so admirably treats Anglo-Swiss relations under analogous circumstances during the Second World War.

Secondary literature dealing with the 'blockade' of Switzerland during the First World War is scarce. Nothing has been written specifically on this subject from the British viewpoint and, except for a flurry of monographs dating mainly from the Twenties (and therefore without reference to primary sources), little from the Swiss side. Primary sources, however, are not lacking. The Public Records Office conserves some 140 folio volumes of records from the Contraband Department alone which bear directly on Switzerland and which had not previously been investigated. The Federal Archive in Berne matches this collection in the volume of materials available to the reader, while the records preserved in the Archives of the German Foreign Ministry in Bonn throw interesting sidelights on the German reaction to their enemy's dealing with Switzerland. It has been possible to see in these records for the first time the coherent story of Anglo-Swiss relations during the years I have attempted to describe.

I owe a great debt of thanks to Professor Medlicott for his inspiration and encouragement. Professor James B. Joll, who kindly accepted the supervision of my work after the retirement of Professor Medlicott, has shown unfailing patience in smoothing out an occasionally jagged narrative and in offering advice and criticism deriving from his

thorough knowledge of the First World War period. To him I am very grateful.

I should also wish to record my thanks to the officials of the Public Record Office, the Archives of the Foreign Ministry in Bonn, and the Federal Archive and Landesbibliothek in Berne. The Central Research Fund of the University of London kindly made available to me a generous grant to continue my researches in Berne in the summer of 1967.

Thanks are due as well to Dr. Paul Stauffer of the Swiss Embassy in London, to Miss Marion C. Siney of Western Reserve University for her expert advice on ferreting out pertinent documents, and to Fräulein Elisabeth Brenn of Berne for help in deciphering several manuscripts written in difficult German script.

Dr. Heinz Ochsenbein of Berne painstakingly read the entire manuscript, weeded out several gross errors, and suggested many improvements based on his wide acquaintance with the domestic Swiss political, economic, and social scene during World War I. I am much indebted to him for his ready and indispensable assistance.

David D. Driscoll

London, 3 October 1968.

TABLE OF CONTENTS

	<u>Page</u>
Abbreviations	6
CHAPTER I: Kingdom and Confederation	7
CHAPTER II: Blockade Beginnings	28
CHAPTER III: S.S.S. Established	75
CHAPTER IV: Northern Neighbour: Germany ...	127
CHAPTER V: Interallied Intrigue	175
CHAPTER VI: Super-Excellent Control	225
CHAPTER VII: Uncertain Associate: America ...	274
Conclusion	330
Bibliography	333

LIST OF ABBREVIATIONS

B.D.:	<u>British Documents on the Origin of the War, 1898-1914</u>
C.P.I.C.:	Commission permanente internationale des contingents
EVD:	Eidgenössisches Volkswirtschaftsdepartement
FO:	Foreign Office
FR:	<u>Papers Relating to the Foreign Relations of the United States</u>
GFM:	German Foreign Ministry
NB:	<u>Neutralitätsbericht</u>
N.O.T.:	Netherlands Overseas Trust
Pol.Dept.:	Politisches Departement
RI:	<u>Rapport Intérieur</u>
RO:	<u>Recueil Officiel</u>
S.S.S.:	Société Suisse de Surveillance Economique
S.T.S.	Schweizerische Treuhandstelle

Note: References to Foreign Office documents in the Public Record Office will be cited in the following way:

FO class number-volume number-document number/year.

IKINGDOM AND CONFEDERATION

'It is needless to say that the prospect of a general conflagration, with Switzerland standing out as a rock surrounded by rough seas, is causing great uneasiness here', reported the British minister in Berne (Evelyn Grant Duff) to the Foreign Office on 29 July 1914, reflecting the tenseness and uncertainty of the situation in the confusion of his metaphors. But he added soberly that there was 'no question that this country will strictly maintain her neutrality'.¹ This dispatch caused no surprise in the Foreign Office, but did much to relieve anxiety in the War Office where the ominous reports of Colonel Charles Delmé-Radcliffe dating from 1909-1910 had not been forgotten.² As military attaché in Rome and in Berne, Delmé-Radcliffe had confidently expected Swiss sympathies to be entirely on the side of Germany in the event of 'strained relations' between Germany and England, and felt the Germans would experience little difficulty in inducing the Confederation to proceed to offensive measures in support of German policy 'just as

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1. Grant Duff-FO, 29 July 1914, dispatch, B.D., xi, no.324.
 2. W.G. Nicholson (C.I.G.S.)-FO, 10 August 1914, letter, FO 371-2109-38124/14. A War Office memorandum of 25 November 1910, commenting on Delmé-Radcliffe's report, observed that the Swiss were allies of Germany and Austria-Hungary in all but name.

if the Swiss formed the extreme left wing of the German army'.¹

The Germans did not share Delmé-Radcliffe's confidence that Switzerland would abandon her traditional neutrality to take up arms with Germany in the event of war. Schlieffen himself had briefly considered a scheme to envelop the French armies from the south, but rejected the plan when he saw that far from enlisting Swiss support for the enterprise he would have to reckon with 'a victorious campaign against Switzerland and . . . the capture of the Jura forts -- time consuming enterprises during which the French would not remain idle'.²

Any vestiges of uncertainty about Switzerland's position in the conflict were erased by the announcement by the Federal Council on 4 August 1914 to the signatory powers of the Neutrality Act of 1815, and to other states, that Switzerland was determined 'faithful to her century-old tradition not to depart in any way from the principles of neutrality'. At the start neither group of belligerents had cause to regret the determination of the Swiss to remain neutral. As the war progressed, both groups had reasons to encourage it. Switzerland's

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1. Delmé-Radcliffe-FO, 17 November 1909, memorandum, B.D., viii, no.335. The Foreign Office did not doubt Delmé-Radcliffe's facts, but were skeptical about his conclusions. Sir Eyre Crowe could not see what would tempt Switzerland to take up arms with Germany. Sir Edward Grey felt '...some of the conclusions(of the memorandum) are probably rather forced'. Minutes, ibid.
 2. G. Ritter, The Schlieffen Plan (London, 1958), Appendix I, text of Schlieffen's Great Memorandum of December 1905 entitled 'War with France', p.136. General von Moltke, however, felt such a campaign would be feasible.

strategic position and well armed neutrality shortened the battle lines between France and Germany as well as between Italy and Austria. Switzerland became a center for propaganda, for the gathering of information, for the repatriation of nationals uprooted by the conflict, and for the interment of prisoners of war from both sides.¹ Espionage in Switzerland was notorious, and presumably of some value.² Then too Switzerland provided a neutral ground for possible peace feelers, and acted as representative of the interests of the belligerents in each other's countries. Switzerland became, in effect, an everyman's land between the two opposing lines.

It was in the interest of both the British and the Swiss governments to preserve the traditional friendliness of their peoples under the strain of war. Cordial relations had existed between the English and the Swiss since the time of Henry VIII,³ and they were particularly renewed and strengthened at the close of the Napoleonic wars. Stratford Canning was a member of the Swiss committee of the Congress of Vienna, and Great Britain, along with the other great powers, signed the Act of Neutrality of 20 November 1815 in Paris, recognizing the perpetual neutrality of Switzerland and guaranteeing the integrity

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1. About 30,000 men were constantly interned after 1915.
 2. The British minister in Berne reported soon after the opening of hostilities, 'Switzerland probably contains more international spies than any other country in Europe and the war has certainly not lessened their number appreciably'. FO 371-2109-66729/14. W. Somerset Maugham, who was employed as a British agent in Switzerland until 1916, has left a fictionalized account of his experiences in Ashenden, or the British Agent. Some of the stories have a remarkable air of verisimilitude.
 3. J.F. Muirhead, 'British Representatives in Switzerland', The Contemporary Review, cxxx (August 1926), pp.205-211.

and inviolability of her territory.¹ Later the British government furnished strong support to the Confederation during the crises of 1847 and 1856-57 when Switzerland's steady progress toward modern statehood put her neutrality and territorial integrity in grave jeopardy.

The first of these crises began in 1845 when seven Catholic cantons, concluded a defensive alliance among themselves, forming a league (the Sonderbund) to resist changes in the federal structure and the introduction of a unified central government at the expense of cantonal sovereignty. While the remaining cantons deliberated on ways of breaking the power of the league, Prince Metternich, unsettled by the new liberal stirrings in Switzerland and apprehensive of their effect on Europe generally, came out in support of the Sonderbund as authentic guardians of the status quo against the new radicals. He urged the Powers to join in common intervention in favour of the Sonderbund by forcing the other cantons to accept mediation. His efforts on behalf of the league won over Guizot to the cause, but Lord Palmerston, regarding the Sonderbund as illegal and advocating the principle of non-intervention in internal politics of other nations, refused to lend British support in forcing on the liberals the mediation of the Powers. Metternich's proposal was therefore dropped. Deprived of the support of the Powers, the Sonderbund was quickly suppressed by force (November 1847), and the way was opened for the introduction of

1. This arrangement would preserve Switzerland as a barrier or buffer state between France and Austria. A.G. Imah, Britain and Switzerland 1845-60 (London, 1966), pp.7-8.

the Federal Constitution of 1848.¹

As precursor to the Revised Federal Constitution of 1874 in force today, though much ammended, the Constitution of 1848 owed its existence in great measure to the British policy of national self-determination, which commanded the gratitude of the Swiss toward the English once the benefits of the new confederation were recognized and accepted by the nation as a whole.

Great Britain intervened with the Powers once again in favour of Switzerland during the Neuchâtel crisis of 1856-57. Napoleon I had bartered Neuchâtel for Hanover with the King of Prussia in 1806, and the canton remained under the personal sovereignty of the Prussian King (though not of the Prussian State) after reunion with the Confederation in 1815. This connection between the King and Neuchâtel was broken in 1848 when a revolution introduced a republican constitution, and the Swiss federal state recognized the new government. Fredrick William IV refused, however, to acknowledge the fait accompli, and encouraged counter-revolutionary action, but the resulting internecine strife led to bloodshed, and Prussia had to call on the Powers to intervene. For a time it seemed that war would break out as both Prussia and Switzerland prepared for a campaign in 1857.

At this juncture, Palmerston once again came to the assistance of the Confederation. A European war could only harm British commerce which depended on continental peace. Besides, agreement on Neuchâtel

1. E. Bonjour, Geschichte der schweizerischen Neutralität (Basel and Stuttgart, 1967), I, 294-95.

threatened to effect a rapprochement between Prussia and the France of Louis Napoleon (who had offered to mediate). This eventuality the British were anxious to avoid. As he regarded the King as the aggressor in the affair, Palmerston brought strong diplomatic pressure to bear on the Prussian government, calling on them in unequivocal language to honour the guarantee of Swiss neutrality, independence, and integrity contained in the Acts of 1815. After a conference in Paris in the Spring of 1857 in which the British delegates gave their resolute support to the Swiss, the King of Prussia reluctantly accepted the fact of Neuchâtel's republican government, and abandoned his sovereign rights over the canton for all time, leaving the way open for the Swiss to admit Neuchâtel to full rights as a member of the Confederation.¹ Great Britain emerged from the conflict as undisputed champion of the rights of the Swiss confederation, and so drew tighter the bonds linking the two nations.²

1. Bonjour, op.cit., I, 339-57.

2. It is significant that Gaston Carlin, the Swiss minister in London during the First World War, in giving his assurances to Sir Edward Grey that Switzerland would observe the strictest neutrality, mentioned that the Swiss government had not forgotten the friendly attitude of the British at the time of the Sonderbund and of the dispute with Prussia over Neuchâtel. Grey-Grant Duff, 14 November 1914, letter, FO 368-1133-71005/14.

Relations between Great Britain and Switzerland remained amicable throughout the nineteenth and into the second decade of the twentieth century in spite of Delmé-Radcliffe's alarmist reports from Rome (1909-10) on presumptive military understandings between the Swiss and the Germans and Austrians. Delmé-Radcliffe had hinted at the possibility of a Swiss-German military understanding against France, and a secret Swiss-Austrian military alliance against Italy. These suspicions obviously derived from the influence of the military circles in Rome who were exercised about Italian irredenta in Switzerland and Austria, and had conceived a phobia about a joint Swiss-Austrian attack on Italy itself.¹ A categorical denial by Federal Councillor Ludwig Forrer (head of the Swiss Military Department) in 1912 that such understandings existed relieved the Foreign

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1. As early as 1907 Colonel Theophil Sprecher von Bernegg, chief of the Swiss general staff, had entered into discussions with the Austrian general staff regarding joint Swiss-Austrian military action against the Italians. These operations were to be defensive, as Italy with her irredenta in Tessin and in Austria was regarded as a possible aggressor. As the discussions remained on the level of the general staffs, however, there was no question of a 'military alliance' between Switzerland and Austria. The same may be said for any supposed understanding with Germany against France.

O. Uhl, Die diplomatische-politischen Beziehungen zwischen Grossbritannien und der Schweiz in den Jahrzehnten vor dem Ersten Weltkrieg (1890-1914) (Basel and Stuttgart, 1961), p.165. Also, R. Dannecker, Die Schweiz und Österreich-Ungarn (Basel and Stuttgart, 1966), pp.256 ff.

Office of their immediate fear that Switzerland would side with the Central Empires in the event of a general war. Rumours to this effect persisted for the next two years,¹ however, until they were finally laid to rest by Grant-Duff's reasoned analysis of the situation in the immediate pre-war days, and by the Federal Council's unequivocal declaration of neutrality on 4 August 1914.

The diplomatic relations between Great Britain and Switzerland during the war years were specified by the Confederation's geographical position and the peculiarities of her economy. When the sides were ultimately drawn, Switzerland was found to be one of six European neutrals,² and the only one eventually to be surrounded completely by belligerents. As a limitrophe neutral ideally situated to trade with Germany and Austria-Hungary, as well as with the Allies, Switzerland's commercial interests inevitably ran counter to Britain's blockade policy. The problem of reconciling this conflict of interests provided the main theme of Anglo-Swiss relations from 1914 to 1918.

The problem was made no easier by the profound ignorance of Swiss trade cycles reigning in the Foreign Office in 1914 in spite of the pains taken by the vice-consul in Zurich (J.C. Milligan) to emphasize in his annual reports the growing dominance of Germany in practically every branch of the Swiss import trade.³ Milligan failed

1. ibid., p.248.

2. Denmark, Holland, Norway, Spain, Sweden, Switzerland.

3. E. Hambloch, British Council (London, 1938), p.14.

to dispel the William Tell image of the Swiss as a nation of simple shepherds, the world forgetting and by the world forgot, an image which the Swiss were pleased to project, but which no longer corresponded to reality. Switzerland was in fact a highly industrialized nation of 3.8 million people, and far from being agriculturally self-subsistent, had to import most of her foodstuffs.¹ In 1911-13, for example, the yearly average consumption of grains of all types (wheat, barley, rye, oats, corn, rice) was about 1,061,000 tons, of which 842,000 tons, or about 80 percent, had to be imported.² Even grazing, which popular imagination seemed to regard as the sole Swiss industry and which in fact ranked as a major industry, depended in large measure on imported fodders.

Switzerland is astonishingly poor in every natural resource with the exception of water power. The raw materials for her industries --coal, iron, and non-ferrous metals, as well as cotton, silk, and petroleum --derived entirely from abroad. She purchased these goods indiscriminately from the nations ultimately to oppose one another in the war. Germany supplied her with coal and iron, some fodder, and many important manufactures, while Austria-Hungary contributed petroleum, sugar, wood, and horses. Grain came from Russia, Rumania, and North America, silk from France, Italy, and the

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1. 23.6 percent of the land was thoroughly unproductive (lakes, rocks, glaciers), and 23.8 percent was good only for pasture. P.Erdman, Swiss-American Economic Relations (Basel, 1959), p.6.
 2. L.A. Rufener, The Economic Position of Switzerland during the War (Washington, 1919), p.7.

Orient, cotton from Egypt and the United States. Non-ferrous metals were drawn (in either the unfinished or semi-finished state) from Germany, Austria-Hungary, France, Great Britain, and the Straits Settlements.

These materials were worked up into finished products of all kinds, from delicate precision instruments and watches, ribbands, cotton embroideries, and luxury textiles, to heavy turbines and railway locomotives from the factories in Winterthur, which in turn, together with the surplus from the grazing industry (cattle, milk, cheese, and chocolate), comprised the principal exports from the Confederation.¹ But just as her imports were drawn from various countries entirely irrespective of their political allegiances, so Switzerland's exports were shipped in about equal proportion to the Central Empires and the Entente nations. The politically eclectic nature of the Swiss trade cycle is well illustrated by the import and export figures for 1913:²

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1. The principal exports from Switzerland in 1913, in millions of francs, were:

1. embroideries (194)	6. chocolate (58)
2. watches (183)	7. condensed milk (44)
3. silks (107)	8. ribbands (42)
4. machines (98)	9. dyes (30)
5. cheese (70)	10. shoes (19)

2. Statistik des Warenverkehrs der Schweiz mit dem Auslande im Jahre 1913, ed. Schweizerische Zolldepartement (Bern, 1914).

importsexports

value (1000 fr) per cent

percent value (1000fr)

1,919,816

100

total

100

1,376,399

Central Empires

630,870

32.8

Germany

22.2

305,659

108,468

5.6

Austria-Hungary

5.7

78,357

Entente

347,985

18.1

France

10.3

141,249

207,024

10.8

Italy

6.5

89,153

112,665

5.9

Great Britain

17.1

236,164

71,467

3.7

Russia

4.2

58,718

Thus while the Central Empires supplied Switzerland with some 38 percent of her imports and took about 28 percent of her exports, the corresponding figures for the Entente were 38 percent and 38 percent, a fairly even match.

The Foreign Office soon discovered that the problem of blockading Germany's imports and later of restricting her exports through Switzerland was enormously complex. How was Switzerland to be supplied with sufficient foodstuffs, fodder, and industrial materials without their being reexported to the Central Powers? On the other hand, how could Switzerland be coerced into adopting restrictive trading practices without alienating her sympathies, or perhaps even driving her into alliance with the Central Powers? As about 70 percent of all Swiss spoke German, while only 24 percent spoke French and 6 percent Italian, the Foreign Office feared the sympathy of the Swiss heavily

favoured the cause of the Central Empires in any case.¹ Apart from humanitarian considerations, too harsh a policy toward the Swiss must necessarily have adverse social and political effects. Too lenient a policy would only frustrate the general blockade effort.

From a technical viewpoint, Switzerland was easier to control than the other European neutrals as she lacks direct access to the sea. Before the war, she drew her overseas imports principally up the Rhine, or by rail from Marseilles and Genoa.² Immediately hostilities opened, the Rhine route was closed by the British to Swiss imports on the pretext they were in danger of confiscation by the German authorities. There remained then only the rail lines from the French and Italian ports. But France and Italy, by the simple exercise of sovereign right over their means of transport, could regulate the traffic on these routes at their discretion. Consequently no practical obstacle stood in the way of stopping Swiss imports completely had it been in the interests of Allied policy.

Switzerland could not be allowed freely to re-export goods

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1. Allegiance to Switzerland and her traditional neutrality was however, in the last analysis, the predominant political sympathy of all the Swiss during the war.
 2. The Rhine route was by far the cheapest and was growing in importance. Of about 35,000 tons of wheat imported from Russia and Rumania in 1912, for example, 15,000 tons came via the Rhine, 16,000 tons from Marseilles, and 3,200 tons from Genoa. Genoa was used less and less in the years after 1905 because of the expense of hauling goods over the Alpine passes. Port taxes were also high there: 25 centimes per ton, as against 6 pfennig in Rotterdam.

to the Central Empires as she was a potential emporium for supplying the civilian and military goods denied them by stringent blockade measures elsewhere in force. Cotton, non-ferrous metals, rubber, lubricating oil, leather, and machinery, not to mention grain, dairy products, and cattle fattened on fodder supplied by the Allies were available to German and Austrian agents in Switzerland. Clearly an effective overall policy of blockading the Central Powers demanded some Allied control over the ultimate destination of goods in Switzerland.

Some success in restricting re-exports to the Central Empires was achieved in the early months of the war by inducing the Swiss authorities to issue export prohibitions for certain goods on the grounds they were needed for Swiss domestic consumption. Allied wishes in this regard coincided to some extent with the desire of the Federal Council to control prices and ensure sufficient supplies for the nation which led to their establishing government monopolies for grain, fodder, rice, sugar, and the like. Pressure was also exercised on the Swiss government to guarantee the domestic consumption (or conversely the non-re-export) of individual shipments of goods like copper, rubber, and lubricating oil, by holding these cargoes at Gibraltar or Marseilles, but a limit to this process was set by Switzerland's need to export to Germany in order to pay for the coal and iron which the Allies could not supply, and to obtain other products like petrol, benzine, and fertilizers which the Germans would release only in barter for specific products of Allied

provenance. Since the Allies were in no position to supply all of Switzerland's needs, nor, as it soon appeared, to assimilate all her exports, some compromise in allowing her to trade with the Central Empires had to be devised.

The compromise solution was suggested by the success of the Netherlands Overseas Trust, a private company set up in Holland to act as sole consignee and distributor of imports from the Allies. Some efforts in this direction had already been made in the winter 1914-15 by G.P. Skipworth, the assistant commercial attaché in Berne, who signed contracts with individual firms whereby they pledged, in return for the receipt of Allied goods, not to re-export to the Central Empires. Sir Francis Oppenheimer, the commercial attaché in the Hague, who had negotiated the N.O.T., was therefore dispatched to Switzerland to see if a general organization similar to the N.O.T. could be set up there.

Deliberations with Federal Councillor Arthur Hoffmann (Chief of the Federal Political Department, the Swiss Foreign Office) in the Spring of 1915 led Oppenheimer to believe the Federal Council were amenable to and even anxious for the establishment of such an organization to put Swiss commerce on a firmer basis. Factional interests and the prevalent policy of economic laissez-faire, however, precluded the regulation of traffic from the Allies by an official federal agency. From these deliberations was born the Société Suisse de Surveillance Économique, a semi-official body designed to act as unique consignee of all goods from the Allied, ~~or~~ from neutral nations transported across

Allied territories, whose re-export to the Central Empires was restricted in the interests of the blockade.

The Allies further refined their control over imports into Switzerland, and consequently over imports into the Central Empires, by imposing on the Swiss a rationing system whereby they would be allowed their average imports less their average exports to the Central Empires, delivered on a quarterly basis. Naturally since rationing conflicted with the exchange system established by the Central Empires for doling out their exports to Switzerland, the rationing scheme met with vociferous protest from the Swiss who feared the loss of necessary commodities supplied by the Central Empires only in exchange for Allied goods. Protest, however, was futile since the Allies were in a position to impose a ration whether the Swiss accepted it or not. Consequently, after obtaining a few concessions in the matter of exchanges, the Federal Council agreed to the establishment of the S.S.S. and to the imposition of rationing in October 1915.

The subsequent history of Anglo-Swiss relations during the war is essentially the history of the Foreign Office's efforts to preserve and improve the control exercised by the S.S.S. This control was menaced in two distinct and contrary ways.

First, there was the tendency of the British Admiralty and War Office, and of their French counterparts, through distrust of the S.S.S. to interfere with consignments to that organization, and to subject these consignments to endless delays. This gave rise to a movement among Swiss traders, exasperated by these obstructions in

receiving goods and attributing the difficulty to the trust organization, to demand the immediate dissolution of the S.S.S. During the early part of 1916, the organization seemed on the verge of collapse, and survived only because of the Foreign Office's vigorous defense against its critics and their success in overcoming obstacles placed in the way of Swiss imports.

Second (after the S.S.S. had been fully accepted), there rose a tendency on the part of the Allies to bypass the S.S.S., and to unload on Switzerland consignments of goods whose normal markets had been closed by the war. Thus, the Foreign Office had first to deal with an inadequacy of supply for the Swiss, and then with a superfluity of goods pouring into the country and the consequent probability of leakage to the Central Empires. After seeking to impose restraints on the Swiss in the first year of the war, Great Britain was then obliged to restrain her Allies to preserve the blockade's effectiveness. Italy, whose economy was the shakiest of the Allies', was the principal culprit in this regard, and only by setting up Allied purchasing agencies for Italian fruit and silk was it possible to divert these Italian exports from the enemy.

As the war progressed and more stringent blockade measures recommended themselves, adjustments in the bye-laws of the S.S.S., particularly in the regulations allowing for the re-export to the Central Empires of restricted amounts of goods finished in Switzerland, were negotiated by the Allied and Swiss governments. Rationing quotas were constantly revised throughout the war on the recommendation of the

Commission permanente internationale de contingentement (C.P.I.C.) in Paris, an organization responsible for gathering the statistics on Swiss imports and cutting off supplies when the quarterly rations were filled. The harmonious functioning of the various international agencies and the cooperation of the Allied governments in maintaining the Swiss section of the blockade provide a unique example of inter-allied effort during the First World War. Swiss trade was consequently controlled more successfully in 1917-18 than was that of any other neutral.

This achievement is even more impressive if one considers that the Germans held the powerful weapon of monopoly over the Swiss coal supply with which in abstracto they could have coerced the Swiss into trading with them. But fortunately (from the British viewpoint) the general effect of the blockade and particularly the suppression of Germany's overseas export trade rendered this weapon useless. During the first two years of the war the Germans actually had too much coal on hand which, since it constituted one of their few export possibilities, they were only too willing to forward to the Swiss. Manpower and transport shortages necessitated rationing in September 1916 but thereafter the Germans made every effort to fill their quota as the high price fetched by coal lent satisfactory support to the faltering Reichsmark.

The governments of the Central Empires experienced even less success in dominating the Swiss economy through their barter scheme. When the Allies rejected Swiss demands for supplementary re-export

material for the Central Powers in compensation for goods received from them, the German and Austrian governments supinely accepted the situation and, though reluctantly, abandoned the exchange system. This was regarded as a signal diplomatic victory for the Allies, and encouraged them to maintain a hard line on granting trade privileges to the Swiss. The imposition of a German counter-blockade on the Swiss to bring them under the economic domination of Germany, which the Allies had long feared, became practicable only in the Spring of 1918 after Russia's defeat had (deceptively as it turned out) broken the blockade ring and secured for the Central Empires the economic self-sufficiency required for such ventures. The establishment of the German control organization, the Schweizerische Treuhandstelle (S.T.S.), in May 1918 came however too late appreciably to affect Swiss economic independence.

The available trade statistics indicate a manifest victory for the Allies in the economic war waged on Swiss territory. Imports from overseas reached the Central Empires through Switzerland only in amounts specified by the Allies in the S.S.S. agreement, while Allied pressure succeeded unexpectedly in forcing the Swiss to reduce the export to the Central Empires of domestic products like cattle, cheese, condensed milk, and chocolate. Meanwhile the Allies, by an aggressive policy of placing orders with Swiss manufacturers and by supplying their factories with the requisite coal, which the Germans had naturally refused them, were able to corner some 87 percent of the Swiss munitions export market.¹ By 1917, the Foreign Office were

1. Mainly shrapnel fuses, and projectiles of copper and steel.

justified in regarding the Swiss section of the blockade as 'super-excellent': Swiss imports and exports were moving entirely to the satisfaction of the Allied blockade authorities.

The entry of America into the conflict threatened at first to disturb the harmonious workings of the 'Swiss blockade', but after an initial period of uncertainty, the State Department agreed actively to support the S.S.S. and the existing interallied agencies concerned with regulating Swiss trade. The financial contribution made by the United States to the fruit and silk purchasing agencies helped alleviate the burdens imposed on Italy by the blockade, and their guarantee to deliver ample grain supplies to the Confederation, though it occasioned some misgivings for the London Shipping Control, did much to counteract German propaganda during 1918.

In spite of the far-reaching controls exercised over Swiss commerce by both belligerent groups, certain Swiss industries actually experienced a boom during the war years. In 1916 the balance of trade turned in Switzerland's favour for the first time since the 1880's, thanks to decreased imports, increased productivity, and higher prices paid for finished goods. Agriculture, encouraged by the Federal government, achieved great success in making the Swiss less dependent on imports by more intensive cultivation of farming land and by converting pastures and marginal acreage to crop growing. Swiss financial circles profited from the embarrassment of the belligerents by lending considerable sums to both sides. Great Britain herself negotiated a loan for 100 million francs in 1918 to help pay for her

purchases in the Confederation.

On the other hand, certain dislocations were experienced in industries like tourism, the production of luxury textiles, and wine, while the cost of mobilization added the staggering burden of 1220 million francs to the national debt. Moreover the high price of coal and the rationing of bread caused great hardship especially among the poor on whom the burdens of war weighed most heavily.

Great Britain had every reason, however, to be satisfied with her wartime relations with Switzerland. Her policy as regards Swiss commerce had been directed primarily to reducing Swiss export and re-export trade with the Central Empires, and at the same time to keeping the Swiss economy healthy by providing her with sufficient food, fodder, and industrial materials, and assimilating, as far as possible, her exportable surpluses. By the winter of 1916-17 this policy had succeeded beyond the expectation of even R.L. Craigie, the Foreign Office expert on Swiss affairs, who was sent out to Berne with Sir Horace Rumbold (the new minister) in September 1916 to direct the enterprise from nearer at hand because he felt sterner measures against the Swiss were called for. His complete volte face in their regard provides some indication of the success of British policy.

There was nothing dramatic in this policy as it was a question of 'unobtrusive detail energetically pursued'. The following chapters intend to show in detail how the British aims were accomplished in spite of the manifold difficulties involved in pursuing a policy of imposing restrictions on a friendly nation harassed on every side, and of retaining at the same time her good will and support.

After recounting in Chapters 2 and 3 the initial British efforts to control Swiss trade which led to the establishment of the S.S.S., and considering the counter moves of the Central Empires in Chapter 4, Chapters 5 and 6 illustrate how the Foreign Office were able to make a success of the S.S.S. in face of opposition in Switzerland and in the Allied nations. The final Chapter will show the effect of America's entry into the war and of Britain's financial policies on the economy of Switzerland.

The principal protagonists in the economic war in Switzerland in the years 1914-18 were Great Britain and Germany. Though it had been agreed in 1915 that France should take the lead in active blockade measures where Switzerland was concerned, the superior organization of the British blockade agencies, and the unified direction they enjoyed, gave Great Britain the commanding position throughout the war. Germany was of far greater commercial importance to Switzerland than was Austria-Hungary whose similar economy and difficult communications with the Confederation kept trade between them to a minimum. Firmer grasp of the facts of the Swiss economic position and assiduous devotion to detail, combined with subtly applied pressures and a singleness of purpose, gave Great Britain a distinct edge over the Germans in Switzerland. It was an achievement with which the Foreign Office had every right to be satisfied.

II

BLOCKADE BEGINNINGS

The legal foundation for maintaining a naval blockade on which the Admiralty had built their contingency plans during the century previous to the outbreak of hostilities in 1914 had been laid down to specifications suited to the naval wars between 1756 and 1814.¹ British admiralty lawyers, disposing at the close of the Napoleonic wars of a greater body of precedents than their continental colleagues, tended to regard British blockade practice as normative to the law of nations. That the assumptions underlying British practice were at variance with those of continental jurists became evident during Anglo-French naval operations in the Crimean war. While the British, for example, regarding the nationality of the owner of the goods as decisive, seized all enemy goods wherever found, the French looked to the nationality of the ship's owner, confiscating all goods on enemy ships and releasing even enemy goods on neutral ships, according to a 'free ships, free goods, enemy ships, enemy goods' norm.

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1. The official history of the blockade is A.C. Bell, The Blockade of Germany and of the Countries Associated with her in the Great War 1914-1918 (London, 1937). Two other authoritative accounts by historians who were connected with the administration of the blockade are: W.E. Arnold-Forster, The Economic Blockade 1914-1918 (London, 1920), and H.W.C. Davis History of the Blockade, Emergency Departments (London, 1920). The best account of the development of thought on the blockade is found in Bell, pp.1-32. Highly recommended also is the forthcoming work of M.R. Pitt, Maritime Rights and Economic Warfare: British Policy 1854-1914.

The awkward situations engendered by these contradictory views and the consequent irritation caused to neutrals clearly demanded a uniform maritime code. The general provisions of this code, essentially an eclectic conglomeration of century old precedents, were formulated in the treaty of Paris of 1856, the two Hague conferences of 1899 and 1907, and finally in more specific form, in the declaration of London in 1909.¹ Though unratified by the great powers before the 1914 war, the declaration of London was formally recognized 'subject to certain conditions and modifications' as the basis of their blockade policy by Great Britain, France, and Russia shortly after the opening of hostilities.² In 1914 then, the following propositions were regarded as law: (1) a blockade to be binding must bar access to all enemy harbours, (2) 'free ships make free goods', i.e., no innocent cargoes, even of enemy provenance or destination, might be confiscated if carried on friendly or neutral vessels, but (3) under certain conditions contraband cargoes might be seized. Contraband was either relative or absolute. Relative contraband comprised those goods which could have (but not necessarily did have) a military use, and might be confiscated only if its ultimate destination was known to be the enemy's forces.

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1. Texts of the Peace Conference at the Hague, 1899 and 1907, ed. J.B. Scott (Boston, 1908), The Declaration of London, February 26, 1909, ed. J.B. Scott (New York, 1919).
 2. Order-in-Council, 20 August 1914. The texts of the maritime Orders-in-Council are reprinted in Bell, Blockade, Appendix I, pp.711-719.

Absolute contraband, on the other hand, consisted of materials useful only in war, such as cannon or shells, and might always be seized by the blockading nation. Furthermore, the doctrine of continuous voyage (the right of a belligerent to confiscate goods whose ultimate destination is the enemy even if these goods are delivered first to an intermediary neutral) might be invoked in the case of absolute, but not of relative contraband.¹

By 1914, however, it was obvious that legal formulations had not kept pace with technological developments such as the mine and the torpedo which rendered close-cordon blockade impossible, and made search at sea to determine if cargoes contained contraband a highly dangerous practice. The legal codes were for the most part irrelevant. Though for political reasons the Admiralty had officially supported the declaration of London, the practical difficulties involved in maintaining a blockade under its strictures were widely recognized among naval officers. Captain Maurice P.A. Hankey, the naval assistant secretary of the Committee of Imperial Defence, was moved to write a long memorandum deprecating the declaration of London and suggesting measures to establish a 'long distance' blockade of the type in fact employed during the war.² When this memorandum was

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1. E. Turlington, The World War Period (New York, 1936), p.x. This is the third volume of Neutrality, its History, Economics, and Law, ed. P.C. Jessup.
 2. M.P.A. Hankey (Lord Hankey), The Supreme Command, 1914-1918 (London, 1961), I, 99-100. A 'long distance' blockade avoided the dangers of picketing enemy harbours and carrying out search at sea by determining whether a cargo was contraband before it was shipped, and by requiring the carrying vessel to call at a designated port to see if the cargo conformed to the bill of lading telegraphed from the port of embarkation.

brought to the attention of the Admiralty, Hankey received the private assurance of admiral of the fleet Lord Fisher that he need not worry about the declaration of London because it was absolutely certain that all these arrangements would tumble down as soon as the guns went off. To a certain extent the admiral's prediction proved correct, for within a few months of August 1914 the declaration of Paris and the six Hague conventions bearing on naval warfare had disappeared, and what remained of the declaration of London was 'withdrawn' by the maritime rights Order-in-Council of 7 July 1916.

Indeed little purpose was served in retaining legal justifications for a blockade which was never in fact attempted. The Admiralty had made no immediate plans to deploy the fleet as picket ships off the German coast. At the start of the conflict, a cruiser squadron (the Tenth) was sent to patrol the far reaches of the North Sea, and a few destroyers were set out to guard the entrance to the Mediterranean at Gibraltar, but even these patrols were subsequently withdrawn because they had become otiose.¹ Capture and search at sea were obsolete in an age when the less dramatic means of curtailing enemy trade through bunker control, denial of insurance coverage, and restriction of credit proved at the same time more effective. Verification of cargoes was carried out swiftly and efficiently in assigned harbours in the United Kingdom and in the Mediterranean, where every ship making for a European port was required to call. No owner would dare allow his ship

1. Arnold-Forster, op.cit., pp.17,152.

to omit calling in for this check for fear of terrible commercial reprisal from Whitehall.

The administrative machinery for controlling the so-called 'long distance' blockade, which replaced the traditional picketing of enemy harbours, was extremely complicated, and while the disorder of its components, an inevitable result of its hasty construction, created considerable friction in the beginning, these defects were eventually hammered out so that at war's end it was operating with remarkable efficiency.¹

The term 'blockade', as applied to the measures adopted by the Allies to bring pressure to bear on the enemy's commerce, is a term of convenience rather than of strict accuracy, for a blockade in the formal sense was never declared during the war, nor could it have been, considering the impossibility of effectively patrolling the whole of Germany's coastline, especially the Baltic ports, as required in the conditions set down in the treaty of Paris for the erection of a legal blockade.² Germany, on the other hand, did declare a blockade of the English coast, although it has been wryly observed that the blockade which the British government did not declare was much more effective than the one the German government did declare.³

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1. For the details of the administrative organs, see Davis, op.cit., pp.5-23, and M.C. Siney, The Allied Blockade of Germany 1914-1916 (Ann Arbor, 1957). pp.30-32; 70-73.
 2. Grey-W.H.Page (U.S. ambassador in London), 10 February 1915, Memorandum, FR 1915, supplement, pp.327-332.
 3. M. Parmelee, Blockade and Sea Power (London, 1924), p.38.

As regards the neutrals, the British policy of blockade or economic encirclement had three purposes: (1) to prevent food and raw materials from reaching the Central Powers through the neutral nations, (2) to prevent, as far as possible, exports to the enemy of the neutral's domestic products, and (3) to maintain the economic stability of the neutral by allowing her sufficient, but not over-abundant, imports.

The implementation of this policy in the case of Switzerland was enormously simplified from a practical and a legal point of view by the confederation's geographical position. Contraband from the north could be withheld because it had to pass over enemy territory and, during the period of Italy's neutrality, from the south by application of the doctrine of continuous voyage, since so many Swiss firms were dealing with the enemy.¹ The entry of Italy into the conflict in May 1915 simplified the legal problem even further as it was then no longer necessary to have recourse to the continuous voyage doctrine, which had caused much ill-will. Thereafter all imports into Switzerland could be refused transport facilities across French and Italian territory by the mere exercise of these countries' sovereign right to grant rail privileges to whomever they pleased.² The Swiss harboured

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1. The doctrine of continuous voyage (goods are confiscatable if the neutral intermediary will forward them to the enemy) applied automatically in the case of absolute contraband. The Allied naval forces in the Mediterranean applied the doctrine to relative contraband as well in the supposition that this material was being sent to the German army. This supposition was of course disputed.
 2. Astonishingly, over a year after Italy's entry into the war, Sir Eyre Crowe, who was head of the Contraband Department, did not know the legal basis for the 'blockade' of Switzerland. In a minute in June 1916 he regretted that Allied pressure 'will always have a smack of illegality'. Lord Robert Cecil rejoined, 'Surely not. A
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no illusions about the capability of the Allies to starve her, and were finally forced to accept a programme of control and agreed rationing which ultimately made Switzerland the strongest link in the chain of blockade around the Central Empires. But before this satisfactory state was achieved, a long period of inept diplomacy was to transpire, which threatened to destroy the traditional good relations existing between the United Kingdom and the Swiss Confederation.

The original Committee on the Restriction of Enemy Supplies (Sir Francis Hopwood, Chairman), established in August 1914 to gather information on the ways and means by which food and supplies reached the enemy, was soon augmented by various committees from the Admiralty, the Board of Trade, and the Foreign Office, all of which conspired to destroy the commerce of the enemy. For administrative as well as political reasons it was the Foreign Office who gradually assumed leadership of the other departmental committees, and by exercising this leadership dominated blockade policy even after the formation of a separate Ministry of Blockade in 1916. The most important governmental

reference (2) continued:-

sovereign state has as much right to forbid its territory being used for transit as it has to forbid its products being exported.' Crowe was chastened: 'I had overlooked the right of France and Italy to stop transit. Lord Robert Cecil is right.' Minutes on FO 382-1072-123004/16.

organ, as far as economic policy regarding Switzerland was concerned, was the Contraband Department, constituted in the Foreign Office during the first week of November 1914. Sir Edward Grey, the Foreign Secretary, set down principles under which the department should strive to achieve the closest co-operation between the frequently conflicting policies of the Admiralty, the Board of Trade, and the Foreign Office. Alwyn Parker was appointed its immediate supervisor, and Sir Eyre Crowe was responsible for all negotiations with neutral states regarding contraband. The Contraband Department was ultimately divided into eight sections which eventually grew to unwieldy proportions. In February 1916, therefore, at Crowe's urging, a distinct department of state, called the Ministry of Blockade, was formed. The Contraband Department continued, however, to be the real organ of blockade under the formal authority of the Blockade Ministry. The Ministry itself was housed under the Foreign Office roof, managed by Foreign Office officials, and headed by Lord Robert Cecil who retained his title of under secretary of state for foreign affairs even after entering the cabinet as minister of blockade.¹

Removing Sir Eyre Crowe from his position as head of the War Department and placing him in charge of all contraband negotiations in November 1914 must be regarded as a decisive step in the history of the blockade. Far sighted, possessed of an extraordinarily incisive mind and balance of judgment, he had, by reason of his famous memorandum of

1. Cecil himself suggested this. G.M. Trevelyn, Grey of Fallodon (London, 1937), p.308.

1907, long been regarded as the most articulate spokesman for the anti-German school which grew up in the Foreign Office after the turn of the century. Under his direction the weapon of blockade, forged from the various committees and departments, was thrust powerfully and relentlessly at the economic heart of the Central Empires.

Within the Contraband Department, organized in geographical divisions, Robert Leslie Craigie was entrusted with the supervision of negotiations with Italy and Switzerland until September 1916 when he was transferred to the British Legation in Berne to supervise the blockade in Switzerland from a closer vantage point.¹ His work in the Foreign Office was continued under the direction of two able and conscientious public servants, Owen St. Clair O'Malley and Sidney P. Waterlow.

The Contraband Department maintained a permanent executive secretariat in the contraband committee which met daily in the Foreign Office beginning in November 1914. This committee was composed of representatives of the trade division of the Admiralty, the Foreign Office, the Board of Trade, the Procurator General, and later of members of the Restrictions of Enemy Supplies Committee and the War Trade Advisory Committee.² The decision to release or to retain a cargo to a neutral land was taken by the contraband committee after a consideration of the evidence as to the ultimate destination of the

1. Crowe-Rumbold, 17 January 1918, letter, FO 382-1979-2944/18. Craigie commanded the respect of the Swiss from the start. A month after his appointment, H. Grobet-Roussy, director of the S.S.S., wrote to the Swiss foreign minister: 'M. Craigie est très intelligent et à la vérité très pointilleux. Mais il est en même temps très juste'.

shipment, based on intelligence and consular reports, intercepted telegrams and cables, and information from insurance brokers.

The French counterpart to the contraband committee was the commission des dérogations, an interministerial body organized in November 1914 and attached to customs to deal with all questions of export to neutrals.¹ Co-operation between the French and English committees, as later between the respective Ministries of Blockade, so essential to the success of the joint venture, was not easily achieved, as will subsequently be seen.

Meanwhile, even before the Allies had begun to marshal their military and administrative forces to attack the enemy's commerce, the Swiss government had adopted certain defensive measures, though they were limited and inadequate, to shield their nation from the effects

references 1 & 2 continued:

Grobet-Roussy - Hoffmann, letter, EVD KW 1914-1918, Abkommenen mit Frankreich, Schachtel 10. The official report of the S.S.S. says of him: 'Il fut avant tout l'homme-blocus'. SSS RI, p.305.

2. Bell, Blockade, p.36, note.

1. Les Organisations de Blocus en France pendant la Guerre (1914-1918), ed. Denys Cochin (Paris, 1926), p.15. Denys Cochin was the French minister of blockade.

of the commercial war. Their efforts were confined to ensuring grain and coal imports. Ironically the inspiration for these measures was French, and their adoption was due more to French insistence than to Swiss foresight.

The French government doubted that Switzerland would be able to maintain her traditional neutrality in the event of a general European war, but were convinced she would be forced 'pour des raisons de ravitaillement' to join one side or the other.¹ Accordingly, Commander Pageot, the French military attaché in Berne, was commissioned by the French War Office to investigate the particulars of Swiss grain consumption so that if war came the French could be ready to supply their needs. By February 1914 Pageot had devised a scheme for supplying the Swiss daily with 1500 tons of wheat and 400 tons of fodder (from America) across French rails, beginning on the thirty-fifth day after mobilization. Official discussions with Colonel Theophil Sprecher von Bernegg, Chief of the Swiss General Staff, followed in April and resulted in an agreement to transport daily to Geneva 1900 tons from Bordeaux and Nantes, and if possible from Marseilles, and to consign it to the Swiss Oberkriegskommissariat.² To avoid possible

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1. A. Lacher, Die Schweiz und Frankreich vor dem Ersten Weltkrieg (Basel and Stuttgart, 1967), p.194. He quotes the 1913 report of Commander Pageot, the French military attaché in Berne.
 2. Sprecher-Militärdepartement, 28 April 1914, report, Pol.Dept., 2, 639.

French requisition en route to Geneva, the Swiss consul at the port of origin was to certify the cargoes.¹

These arrangements alleviated much of the French concern about the neutrality of Switzerland as well as the anxiety of the Federal Council about the grain supply through France. They incidentally provided a convenient fulcrum with which to pry similar concessions from the German government, relative to Rhine traffic in grain and coal. After an exchange of notes beginning in May 1914 between Baron von Romberg, the German minister in Berne, Herr von Jagow, the secretary of state, and Imperial Chancellor Bethmann-Hollweg, the Swiss government were assured that grain and coal coming up the Rhine would, in the event of war, continue to be allowed through to Switzerland in undiminished quantities.²

Swiss grain stocks at the end of July 1914 were estimated at a three month supply which, with the domestic harvest, would cover the nation's needs only until the end of the year.³ To preserve these stocks, the export of wheat, flour, and oats (along with a great number of other commodities) was prohibited by a decree of the Federal

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1. P. Cambon (French ambassador in London)-FO, 26 August 1914, note, FO 368-1131-43481/14, containing a letter from the French minister for Foreign Affairs to the minister of finance, 20 August 1914.
 2. NB I. 1 December 1914, p.11. Bonjour, op.cit., II, 555-556.
 3. A. Huber, Die Einschränkung der Handels-und Gewerbefreiheit durch das Notverordnungsrecht des Bundes, (Bern, 1925), p.48.

Council on 31 July.¹ Further prohibitions of export were issued just after the outbreak of war (on 2,5,7,13, and 18 August), forbidding the transport across the frontier of scores of products such as weapons, leather, telephones, cables, automobiles, oil, petrol, animals, fodders, and foods. The object of these prohibitions was, of course, to retain for domestic use goods which might be in short supply in a prolonged war. The list of goods the export of which was forbidden by the Federal Council was to be enormously extended during the course of the war, both spontaneously and under pressure from the belligerents.

As the European political situation deteriorated and ultimata and declarations of war flashed from capital to capital, the Federal Assembly met in emergency session in Berne at the beginning of August to enact measures to ensure the safety of Switzerland and the preservation of her neutrality. Of supreme importance in this regard is the decree of 3 August 1914 giving unlimited powers, and an unlimited credit, to the federal executive during the period of national danger.²

1. RO (30), 1914, 'Arrêté du Conseil Fédéral concernant la mise de piquet de l'armée du 31 juillet 1914' p.335.

2. ibid., 'Arrêté fédéral sur les mesures propres à assurer la sécurité du pays et le maintien de sa neutralité du 3 août 1914', p.347. Articles 3 and 4 read:

Article 3. L'Assemblée fédérale donne pouvoir illimité au Conseil fédéral de prendre toutes les mesures nécessaires à la sécurité, l'intégrité et la neutralité de la Suisse, à sauvegarder le crédit et les intérêts économiques du pays et, en particulier, à assurer l'alimentation publique.

Article 4. A cet effet il est ouvert au Conseil fédéral un crédit illimité.

By virtue of this decree the Federal Council immediately established a federal bureau for grain supply (Eidgenössisches Bureau für Getreideversorgung) to receive for the account of the Confederation all shipments of grain in transport through Germany, France, and Italy, and to guarantee the non-export of these supplies from Switzerland. 3200 waggons of grain for Switzerland lay in Mannheim, Strasbourg, and Kehl, or were in transit on the Rhine in August; by the close of the year, 2600 carloads had been received by the bureau, as well as more than forty-seven shiploads of grain of various types from the French and Italian ports.¹ The Swiss government also launched an immediate campaign to buy up grain in America and in Argentina to make good the deficit caused by the discontinuation of the supplies from Russia, and their efforts were met with reasonable success.² All frontiers had been closed at the commencement of hostilities, but traffic from France was resumed on 13 August thanks to the representations of the French ambassador to his government,³ while shipping on the Rhine and transport by rail on its right bank began again on 24 August.⁴

1. NB I, 1 December 1914, pp.11-14.

2. Eid. Bureau für Getreideversorgung-Stovall, (U.S. Minister in Berne), 12 August 1914, letter; Pol.Dept.-P.Ritter (Swiss Minister in Washington), 18 August 1914, telegram, Pol.Dept., 2001 (k), Schachtel 14.

3. Ministre de Guerre-J.B.P.Beau (French Ambassador in Berne), 13 August 1914, letter, Pol.Dept., 2001 (k), Schachtel 14.

4. R. Pfenninger, Die Handelsbeziehungen der Schweiz mit Deutschland während des Krieges 1914-1918 (Zürich, 1928), p.22.

With the enactment of these measures to ensure the grain supply the Federal Council embarked on a comprehensive programme to maintain the economy of the land under wartime stress. This effort proceeded during the war under four headings: (1) the issue of export prohibitions to preserve domestic supplies for domestic use and as a means of barter for goods from other nations, (2) the encouragement of imports by the activity of Swiss commercial agents abroad, by the establishment of semi-official purchasing bureaus in foreign nations and, most importantly, by the erection of import trusts at home, (3) the encouragement of domestic agricultural and industrial production through measures regulating the use of land and material, and (4) the rational distribution of available goods through a system of rationing.¹

No characteristic of the Swiss is more pronounced nor more commented upon than their sense of independence as well in commerce as in politics. That the national government would be allowed to enter so fully on this programme of commercial restriction in the laissez-faire economy of 1914 becomes intelligible only in the context of the belligerents' threat to the commercial life of the nation. The first indication that neutrality was no insurance against commercial interference came on 14 August when the Swiss war commissariat

1. J. Käppeli and M. Riesen, Die Lebensmittelversorgung der Schweiz unter dem Einfluss des Weltkrieges von 1914 bis 1922 (Bern, 1925), pp.15-16.

(Eidgenössisches Oberkriegs-kommissariat, to which the bureau for grain supply was attached) was informed that the SS Monttemple, destination Antwerp with 57,726 bushels of wheat for Swiss accounts, had its cargo confiscated in London.¹ Later that day it was announced that the SS Berwindmoor with 5000 quarters of wheat had likewise been detained at Falmouth by the British naval authorities. M. Gaston Carlin, the Swiss minister in London, made immediate representation to the Foreign Office, but Sir Eyre Crowe, though aware of the undesirability of 'annoying' neutrals, refused to sanction the passage of these supplies because of the possibility of their being confiscated by the German authorities during the journey up the Rhine.² He recommended that all ships with cargoes for Switzerland should be diverted from Holland to either the French Atlantic ports or, if the French rail system was overburdened with military traffic, to Genoa.³ By the 22 August the main flow of grain supplies to Switzerland had been channelled to Bordeaux and St Nazaire, and the Swiss government was told that no naval patrols would molest vessels then bound for those ports (SS Atherstone, Astrea, Strathor), whose cargoes had been purchased by the bureau for grain supplies.⁴ The prohibition of the use of Dutch ports for Swiss

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1. Eid. Oberkriegskommissariat-Mil. Dept., 14 August 1914, letter, Pol.Dept. 2001 (k), Schachtel 14. The O.K.K. was a permanent branch of the military administration whose duty it was to supply food for the army. Because of its experience in supplying corn and grains it was charged by the Federal Council with the grain monopoly for civilian use as well (until May 1915).
 2. Carlin-Grey, 15 August 1914, letter, FO 368-1131-39666/14. Minutes by Tufton and Crowe.
 3. Minute on Carlin-Grey, 16 August 1914, FO 368-1131-39869/14.
 4. FO-Grant Duff, 22 August 1914, telegram, FO 368-1131-41580/14. Hoffmann Grant Duff, 20 August 1914, note, Pol.Dept. 2001 (k), Schachtel 14.

supplies extended to other cargoes such as metals or cotton, which were either detained in British ports or rerouted to the Atlantic or Mediterranean ports.¹

In spite of the assurance of Commandant Pageot, the French military attaché in Berne, that arrangements for five wheat trains a day from Bordeaux and three from Nantes or St. Nazaire had been completed,² the worsening military situation in France led President Arthur Hoffmann to summon the British minister, Evelyn Grant Duff, on 27 August to petition the reopening of the Rotterdam route for grain supplies, with the formal assurance that these were strictly for Swiss use, and that His Majesty's government would be informed instantly in the event of confiscation by German authorities.³ The Foreign Office remained adamant, however, informing the Swiss minister in London that the British government would allow no further shipments to Switzerland by way of the Rhine where they could be seized by the enemy.⁴ Reports from the British ambassador in Bordeaux (where the French government had fled at the approach of the Germans to Paris)

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1. FO-Carlin, 23 August, letter, FO -368-1131-41354/14.
 2. Pageot-Pol.Dept., 23 August 1914, note verbale, Pol.Dept. 2001 (k) Schachtel 14.
 3. Grant Duff-FO, 27 August 1914, telegram, FO 368-1131-43959/14.
Grant Duff-FO, 27 August 1914, dispatch, FO 368-1131-44872/14.
 4. FO-Carlin, 8 September 1914, letter, FO 368-1131-44305/14.

and Rome had stated that rail facilities were adequate to supply Swiss needs and served to confirm the Foreign Office in the determination, in face of continued applications from the Swiss government, to eliminate traffic going up the Rhine.¹

Later in the autumn by way of experiment a small consignment of fifteen tons of cotton, a commodity which was not at that time contraband, was allowed to proceed by rail from Rotterdam to Basle, where it arrived safely on 10 November.² In the meanwhile, consultation with the Home Office, the Board of Trade, and Customs had led the Foreign Office to the conclusion that payment of tolls and freights to German transport firms was forbidden by the trading with the enemy proclamation of 7 August.³ This definitively closed the Rhine route to all exports from the United Kingdom and from the British Empire. Goods from other neutrals to Switzerland were being diverted, at the insistence of the Committee on the Restriction of Enemy Supplies, under title of danger of confiscation by the Germans. No law, however, prohibited the transport of Swiss goods in the opposite

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1. Sir Francis Bertie-FO, 14 September 1914, telegram, FO 368-1131-49427/14. Rodd-FO, 24 September 1914, telegram, FO 368-1131-52595/14
 2. FO-Carlin, 2 October 1914, note, FO 368-1131-53630/14. Grant-Duff-FO 17 November 1914, dispatch, FO 368-1131-74354/14.
 3. Customs-FO, 30 November 1914, letter, FO 368-1131-77324/14.

direction, by water or rail from Basle to Rotterdam and thence to England, as the Swiss minister was assured in writing on 28 August.¹ This route was reopened five months after the outbreak of hostilities, and goods shipped in that direction remained unmolested by the German authorities to the very end of the war.²

The Swiss government made a last despairing effort to set a precedent for using the Rhine for transportation of goods of non-British provenance when, toward the end of September, they requested that a consignment of petrol be allowed through from Rotterdam.³ Since this product originated in the United States where business interests had already begun to show concern over British interference with trade, the petition probably constituted an attempt to intimidate the British government, ever sensitive to public opinion in the most powerful neutral. If so, the attempt failed, for the Foreign Office, deftly ignoring the point at issue, had the French government contact the Swiss Political Department (i.e., the Swiss foreign office) for particulars of the petrol shipment and the measures to be taken to prevent any portion from reaching Germany.⁴ The Swiss government,

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1. Carlin-Pol.Dept., 28 August 1914, telegram, Pol.Dept. 2001 (k), Schachtel 9.
 2. Pfenninger, op.cit., p.23. Also, W. Waldvogel, Les Relations Economiques entre la Grande Bretagne et la Suisse dans le Passé et le Présent. (Neuveville, 1922), p.166.
 3. Carlin-FO, 20 September 1914, letter, FO 368-1132-51199/14.
 4. FO-Bertie, 20 September 1914, telegram, FO 368-1132-51199/14.

recognizing the futility of further struggle, merely expressed their thanks to the French, and the Foreign Office, to remove all doubt of their determination, informed Carlin that they were making enquiries of the French government with a view to transport 'via a French port'.¹ The Rhine was not to open again to overseas traffic for two years, and then only for the import of sugar.²

Inevitably in the disruption of trade attending the sudden outbreak of war, the Swiss imports, particularly of foodstuffs, suffered a considerable reduction. The causes of this inhibition of trade were three. (1) The capture or the driving into neutral ports of ships flying the German and Austro-Hungarian flag and carrying goods bound for Switzerland.³ If impounded in British ports, these goods were eventually returned to their owners, but litigation usually delayed their delivery for several months. Transference of cargoes in neutral ports of refuge to neutral or British ships was likewise a time consuming process.

(2) Several Swiss cargoes on neutral or British ships were erroneously condemned as contraband and sold by order of the Admiralty. In September the Swiss minister in London presented Sir Edward Grey with a list of fourteen ships whose grain cargoes had reportedly been

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1. Bertie-FO, 1 October 1914, telegram, FO 368-1132-55057/14. FO-Carlin, 7 October 1914, note, FO 368-1132-55057/14.
 2. The Allies' motive in allowing this traffic in sugar was to free the Swiss from dependence on Germany for their sugar supply. Waterlow's minute, 6 October 1916, FO 382-1082-197041/16.
 3. Freiherr von Romberg (German minister in Switzerland)-Bethmann-Hollweg, 9 April 1915, dispatch, GFM (21), 141.

sold, with a demand for payment in kind rather in cash because of the shortage in the world grain market.¹ The Foreign Office's exasperation at the Admiralty was mitigated somewhat when the Board of Trade showed that the Admiralty marshal had actually ordered only two of the fourteen cargoes sold (SS Oceano, Romanby), presumably because of their perishable nature.² Litigation for the proceeds of the sale in this case, however, dragged out until August 1915.³

3) With the closing of the Rhine, new trade routes through France and Italy had to be developed, and existing routes expanded. In spite of the efforts of the authorities concerned, deliveries through France and Italy were smaller than those hitherto received via the Rhine.⁴ Then too the closing of the Dardanelles to Russia, which had been Switzerland's principal source of wheat and barley and an important supplier of maize and oats, demanded a complete reorganization of the grain market.⁵ These difficulties are reflected in the grain import statistics for 1914.

1. Carlin-FO, 12 September 1914, letter, FO 368-1131-48886/14.

2. Board of Trade-FO, 17 September 1914, letter, FO 368-1131-50514/14.

3. FO-Carlin, 18 September 1914, letter, Pol.Dept. 2001 (k), Schachtel 20. And passim in this Schachtel.

4. Pol.Dept.-Société de Transports internationaux, 20 October 1914, Pol.Dept. 2001 (k), Schachtel 14. Board of Trade-FO, 21 January 1915, letter, FO 382-403-9685/15.

5. Bell, Blockade, Table xiii, Swiss imports of cereals, p.108. The process of reorganization had actually begun before 1914. The disruption caused by the Balkan Wars of 1912 induced the Swiss to begin to look to America for Their grain.

	wheat	rye	oats	barley	corn
<u>1913</u>	5,292,278	167,872	1,771,595	259,107	1,215,454
<u>1914</u>	4,408,991	67,733	1,463,432	167,374	779,263

(all figures in quintals).¹

As the great German offensive ground to a halt at the Marne, and Asquith's government began finally to appreciate that the war, as Kitchener had prophesied, would last a very long time, a powerful counterattack was launched against the Central Empires' entrenched economic positions. In early September Grant Duff, after consultation with Sir Henry Angst, consul-general at Zürich, suggested that the Board of Trade employ an agent with knowledge of French and German 'to devise means of ousting German trade from Switzerland'.² J.C. Milligan, former vice-consul at Zürich, was selected for this task, and set immediately to work, assisted by a Swiss socialist, Herr Wulfsohn.³

The instructions from the Board of Trade forwarded to Milligan indicate the scope of the attack on German commerce envisaged at this opening phase of the commercial war. The main object of the enterprise was to capture trade formerly done with Germany and Austria-Hungary. To achieve this goal, Milligan was to produce reports on the flow of German and Austrian trade to obtain samples of individual goods, and to report possible false markings on these items, so they would not be

1. Käppeli and Riesen, op.cit., p.127.

2. Grant Duff-FO, 3 September 1914, telegram, FO 368-1132-46105/14.

3. Grant-Duff-FO, 15 September 1914, dispatch, FO 368-1132-53237/14.

mistaken for genuine Swiss goods. He was to suggest the best methods for British manufacturers to adopt to increase their sales in Switzerland, not only as a measure against the Central Empires but absolutely, as an outlet for remunerative trade for Great Britain, already suffering from the loss of her German market.¹

A precise knowledge of the cycles of Swiss trade, not to mention statistical data, was difficult to obtain in the Foreign Office at this stage of the war. Switzerland had never merited a commercial attaché in the British Legation at Berne. This function had been exercised in a rather desultory fashion by the attaché in Paris whose efforts were, of course, principally directed to promoting British trade with France rather than producing detailed studies of Swiss economy, which was considered, as it were, within the Franco-German 'sphere of interest'. It is not surprising then to see in the Foreign Office's initial attitudes to Swiss trade a good deal of suspicion, confusion, and misconception which engendered in turn mistrust and occasional bitterness in Swiss industrial and commercial circles.

The first cause for British suspicion was the vast increase in the volume of grain and metal imports into Genoa where, as we have seen, the Swiss imports had been directed after the Rhine was closed to them. Three nations used Genoa as an import center. First of all, it was

1. FO-Grant Duff, 13 November 1914, letter, FO 368-1132-63529/14. Enclosed is an instruction from the Board of Trade.

the major port for heavy industry in north Italy. Switzerland too had always drawn some overseas supplies from its harbour, though never before to the extent necessary in the autumn of 1914.¹ And thirdly, transit trade from Genoa to Germany figures prominently in the rail traffic from the port across Lombardy, through the Simplon and St. Gotthard tunnels and into Northern Switzerland.² A temporary reduction in this transit trade had occurred during the summer, due to the employment of German rolling stock for the vast troop movements in the first weeks of war, but its volume had increased again as soon as the lines of the western front were established.³

This transit traffic through Switzerland, together with the increase in Swiss metal purchases abroad, roused suspicion that Switzerland was becoming a warehouse for Germany's war requirements. The absence of statistical evidence made it impossible to determine which goods served genuine Swiss needs and which were being purchased by Swiss houses for re-export to Germany. The change in blockade law contained in the Order-in-Council of 29 October 1914,

1. Cf. p. 18.

2. The St. Gotthard tunnel had been partly financed by Germany and Italy who had in turn been accorded minimum rates and a 'most favoured clause' for their mutual transit traffic in the Gotthard conventions of 1869 and 1871.

3. Grant Duff-FO, 18 November 1914, telegram, FO 368-1132-72674/14.

forbidding consignments 'to order' but allowing all shipments, even of contraband, to go through to any named consignee in a neutral country, only aggravated the situation in the eyes of the Foreign Office by inviting 'collusive transactions between dummy neutral consignees and enemy agents'.¹ Anonymous letters reported large consignments, presumably of contraband goods, passing through Genoa and the Swiss tunnels to the enemy.² These reports caused uneasiness in the Foreign Office, who were engaged at the time in the delicate business of weaning Italy from the Triple Alliance and simultaneously restricting her trade with Germany.

Italy's strategy of hovering between the groups of belligerents was causing the British government grave concern during the first months of the war, and the issue was complicated by economic as well as political factors. Italy was not a rich nation. By far her largest export comprised silk tissues, followed by stamped cottons, and then by fresh fruit, wine, and oil. Although these exports went in about equal proportion to the Allies and to the Central Powers, Italy was entirely dependent on the Allies for indispensable imports. She drew almost all the coal for her industries, for example, exclusively from Great Britain. Had Italy sided with the Central Empires, she would have been swiftly prostrated by Allied

1. Siney, op.cit., p.28-29.

2. Grant-Duff-FO, 24 October 1914, telegram, FO 368-1133-63088/14

economic pressure, that is, simply by a British coal embargo, for even if the Central Empires had been able to supply from the mines of the Ruhr and Silesia Italy's 10,000,000 ton annual requirement, the coal could never have been delivered on the already overburdened German railways.¹ On the other hand, it seemed that Italy could scarcely afford to abandon that quarter of her export market which went to the Central Empires, by taking up arms against her former partners in the Triple Alliance. Although on economic grounds then strict neutrality had everything to recommend itself, political and psychological factors such as the desire to strengthen the monarchy, to expand territorially, and to achieve international recognition were, as events proved, to triumph over sober economic considerations, and eventually to draw Italy into the struggle as a partner of the Entente.²

The war had scarcely been declared when the Italian government put out feelers to probe the advantages of an alliance with the Entente. On 12 August 1914, the Marquis Imperiali, the Italian ambassador in London, called on Sir Edward Grey to assure him that the Italian government wished to remain neutral, but that they might be forced into belligerency, first because they feared a shift in the balance of power which would be disadvantageous to them, and secondly because they feared the Central Empires would never forgive

1. Bell, Blockade, p.97-99.

2. That these desires could not be fulfilled by adhesion to the Triple Alliance is explained in detail in L. Albertini, The Origins of the War of 1914 (Oxford, 1965), p.296-363. The best mot on Italian policy at this time was spoken by Paul Cambon, the French /contd./

them for having declared neutrality. Imperiali went on to give the conditions which the Italian cabinet hoped the British government would consider as a basis of co-operation between the Entente and Italy.

While the Foreign Office endeavoured to negotiate along the lines of these proposals, acting as middleman between Italy and France and Russia, disturbing reports were being received from Sir Rennell Rodd, the British ambassador in Rome, especially during the latter half of October, about the vast increase in contraband arriving in Italian ports. Many of these consignments stayed, of course, in Italy but others, after they were landed, were declared in transit, and forwarded to Switzerland or, as it was suspected, to Germany. It was no easy matter to determine how much of this abnormally large trade, especially in copper, was intended for Italian and Swiss needs, and how much was going into German consumption, and this for three reasons. (1) Immediately after the

reference 2 continued:

Ambassador in London: Nos bons amis, les Italiens, attendent avec impatience le moment pour voler au secours des vainqueurs.

opening of hostilities German agents had purchased in Italy enormous quantities of metals and other contraband so that the great shortage which resulted in Italy had to be made up. (2) The Italian army was placing large contracts with its armament firms, which therefore required abnormally large imports of metal. Indeed, it was imperative that a potential ally of the Entente should be unstintingly supplied with these needs. (3) Formerly Switzerland had imported many metals from Germany in a half-finished state, but now shortages in Germany forced her to purchase raw materials abroad, importing them by way of Genoa. Again what proportion of these metals was for genuine Swiss use, and what was being sent to cover the shortages in Germany, defied analysis.¹

The Admiralty, worried over this unusual metal trade, ordered several vessels carrying copper cargoes to Genoa to be detained at Gibraltar until the ultimate destination of the shipments could be discovered.² The Swiss minister in Italy, J.B. Pioda, reported the British and French ministers had hinted to the Italian government that British coal supplies to Italy might have to be reconsidered unless the Italian government could see its way to forbidding the export of contraband to Germany.³ A few days later the question of embargoing coal came up again, when the British asked Italy to forbid

1. Bell, Blockade, p.103-104.

2. Arnold-Forster, Blockade, p.38, puts the figure of copper seized at 10,563 tons.

3. Pioda-Hoffmann, 24 October 1914, letter, Pol.Dept. 2001 (k), Schachtel 17.

the export of contraband to Switzerland as well, on the assumption that this material was finding its way to Germany and Austria-Hungary through the agency of friendly Swiss houses. The Italian prime minister, Antonio Salandra, asked Pioda to have the Swiss government intercede with Great Britain in this matter, for any reduction in trade between the two countries Italy and Switzerland would work to their mutual disadvantage.¹

Federal councillor Hoffmann immediately telegraphed Carlin in London, explaining to him that the English were threatening to eliminate Italian-Swiss traffic in goods they considered contraband, on the ground that this material was going in part to Germany 'dank der Konnivenz schweizerischer Firmen', and suggesting that the Federal Council was prepared to consider forbidding the export of such materials, although their rights as a neutral did not require them to do so, in order to preserve legitimate Italian-Swiss traffic.²

Carlin duly presented an aide memoire at the Foreign Office on 28 October in which he reminded the foreign secretary that it had been the British government who had suggested Switzerland's using the railway from Genoa rather than the river from Rotterdam for her supplies, which accounted in great measure for the abnormal

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1. Pioda-Hoffmann, 26 October 1914, letter, Pol.Dept. 2001 (k), Schachtel 17.
 2. Hoffmann-Carlin, 27 October 1914, telegram, Pol.Dept. 2001 (k), Schachtel 17.

Mediterranean traffic, but stated that the Federal Council was disposed as a concession to forbid re-export to Germany and Austria-Hungary of articles on the British contraband list, on condition that Italian-Swiss trade was not in any way inhibited. With the aide memoire Carlin enclosed a list of goods the export of which had already been forbidden by the Swiss law.¹ The Foreign Office replied a few days later that the British government were alive to Switzerland's problems and that they would soon submit to the Swiss government proposals designed to obviate the necessity of interfering with Swiss overseas imports.²

Meanwhile Sir Rennell Rodd presented to the Italian minister for foreign affairs two memoranda stating that it was not supposed for a moment that the Italian authorities were anxious to facilitate an illicit traffic which would supply Great Britain's enemies with ammunition, but that the British government wished to offer general proposals for regulation of the swollen traffic over the Alps into Switzerland.³ The answer to the second memorandum, which had been presented on 8 November, took the surprising form of a Royal Decree issued on 13 November 1914. In its two articles this decree (a) made it illegal for an Italian importer to receive goods in his own name and then declare them in transit to Switzerland or Germany, and (b) declared that all goods arriving in Italy marked 'to order' (these

1. Carlin-Grey, 28 October 1914, aide memoire, FO 368-1132-64555/14.

2. FO-Carlin, 3 November 1914, note, ibid.

unnamed consignments especially had been forwarded to the Central Empires after being unloaded in Genoa) would be appropriated to the use of the state.¹

Obviously this was a gesture on the part of the Italian government to conform their laws to the Order-in-Council of 29 October 1914. By the provisions of the Royal Decree, if rigourously enforced, only those cargoes addressed to a specific, named consignee in Italy or in Switzerland would be allowed to leave Genoa. Furthermore, the Italian government undertook to conform its lists of prohibited exports to the British contraband list, and to assure the Foreign Office that they would grant no licenses for dispensation from this prohibition in respect of copper, manganese, aluminium, haematite, iron pyrites, ferro-silicates, nickel, lead, rubber, and petroleum.² The effect of the Royal Decree and the further assurances of the Italian government was to stop completely all direct contraband traffic from Italy to the Central Powers (though articles on the 'free list' were still allowed through), and to eliminate all ambiguity about the identity of Swiss houses which might be forwarding contraband trade thus neutralized, the Foreign Office could direct its attention once again to Switzerland.

In early November the Foreign Office had forwarded to Grant Duff for his guidance a memorandum outlining the official British

1. Bell, Blockade, p.104.

2. Gazetta Ufficiale, 13 November 1914, decree 1232. In effect, this Decree made 'continuous voyage' through Italy illegal.

attitude to Swiss commerce at this stage of the war.¹ The memorandum noted that the British and French governments had been in consultation to enact uniform rules by which to minimize trade in contraband articles without interfering with innocent commerce. The legal basis of the contemplated measures was to be the Order-in-Council of 29 October, declaring confiscatable all shipments of conditional contraband addressed 'to order' in a neutral land. A suggested text of the British note to be submitted to the Swiss government accompanied the memorandum to Grant Duff.

Meanwhile the Swiss minister in London, informed that proposals were soon to be laid before his government, called at the Foreign Office on 13 November 1914 to give Edward Grey 'the strongest assurances' that Switzerland would observe her traditional neutrality, not forgetting the friendly British attitude at the time of the Sonderbund and of the dispute with Prussia over Neuchâtel.²

A few days later, on 18 November, the British minister in Berne handed President Hoffmann the note verbale specifying in the exact terms of the Foreign Office memorandum of 3 November the British attitude toward the confederation in the present war.³ At the same time the French ambassador presented a similar note in the name of his government. The points made in these notes are worth examining in detail for they constitute the best summary of British policy toward Switzerland during the first year of the war.

1. Bell, Blockade, p.105.

2. FO-Grant Duff, 3 November 1914, dispatch, FO 368-1133-66931/14.

3. FO-Grant Duff, 14 November 1914, letter, FO 368-1133-71005/14.

(1) The Allies are anxious to regulate their right of visit, search, and detention in respect of ships carrying contraband to neutrals in such a way as to cause the least possible inconvenience. They are anxious, however, to distinguish between legitimate imports of the neutrals and those which will go to the enemy for carrying on military and naval operations.

(2) A copy of the Order-in-Council of 29 October is enclosed. There are additions to the list of absolute contraband, and conditional contraband to a non-named party 'will be dealt with specially'. The British government reserve the right to capture neutral ships carrying cargoes of conditional contraband to a neutral country if at any time it appears that the enemy is drawing supplies from this country.

(3) But as long as the British government are assured that conditional contraband to a neutral represents a bona fide import to that country, and it is not part of a larger transaction whereby other goods already in the country can be released for export, they are willing to restrict their right of search to a mere verification of the ship's papers. To secure such assurance, the Allied governments are anxious to arrive at a guarantee with the government of the confederation.

(4) The guarantee will be worked out on the following lines:
(a) the neutral government will prohibit the export of all classes of goods contained in Allied contraband lists which they expect to see imported for bona fide home consumption, and (b) such goods, on receipt by a consignee in Switzerland, will not be declared in transit

but will fall under the prohibition of export in (a).

(5) In return, the allied governments undertake that vessels carrying conditional contraband to a named consignee will not be interfered with. On the other hand, goods of contraband character, in respect of which no satisfactory guarantee on non-re-export can be obtained, will be considered as suspect and detained for investigation and, if necessary, for adjudication by a prize court.

(6) The allied governments are particularly concerned about oils, petrol, copper, rubber, hides, leather, food, forage, and feeding stuffs. The inclusion of these commodities in the list of prohibited exports is essential, but the allies will interfere with foodstuffs only when they are manifestly destined for the enemy.

(7) The allied governments suggest that all vessels call at a port in the United Kingdom (or at Gibraltar or Suez) to be checked and to receive the signal which will allow them to pass unmolested through allied naval patrols.¹

It is important to observe that this document alludes only to the re-export of contraband goods in the state in which they were received in Switzerland. Nothing is said about their re-export in an altered state. Steel bars and smelted copper brought up from Genoa could not be sent on to Germany, but if this same steel or copper were worked up into finished products, even for example, into

1. Grant Duff-Hoffmann, 18 November 1914, note verbale, Fol.Dept. 2001 (k), Schachtel 17.

steel shell casings or brass granade fuses, Swiss manufacturers could export these articles to the Central Powers under the accepted law of nations that finished articles constitute a legitimate export trade. Negotiations to establish sufficient guarantees against the re-export of products finished in Switzerland were to be inaugurated first on a private and then on a semi-public basis only after the initial measures against the re-export of unaltered contraband were taken by the Federal Council.

President Hoffmann's 'long and ably drafted' reply to the joint British-French note of 18 November was delivered on 5 December, and made three main points: (1) By the terms of the Hague convention, a neutral power is forbidden to promulgate prohibitions to export which would favour only one belligerent power. The Swiss government were satisfied that the Allies had not asked for such action and that they appreciated Switzerland's need to import from both groups of belligerents and therefore to export to both. The Federal Council could prohibit exports only in their country's own interest, to preserve supplies for themselves. (2) The allegation that Switzerland was becoming 'une base d'approvisionnement pour l'Allemagne' is exposed as thoroughly false when examined in the light of the facts. The facilities of the port of Genoa, insufficient for supplying the needs of both Italy and Switzerland in any case, were presently choked with imports. Consequently, there were great delays in the delivery of goods, so that Switzerland was actually suffering from shortages of essentials. (3) As a neutral bound by

international conventions, the Swiss government could not interfere with the transit trade between Italy and Germany. This was Italy's concern not Switzerland's. As an indication of their readiness to co-operate with the Allied governments, however, the Federal Council would accept, as far as possible, the proposal to conform her list of prohibited exports to the Allied contraband list, but emphatically reserved the right to grant exceptions to these prohibitions and to issue export licenses 'dans des cas exceptionnels quand d'autre moyens feraient défaut pour parer à dommage menaçant les intérêts vitaux du pays'.¹

The list of articles the export of which had already been prohibited by the Federal Council was enclosed, as well as the statistics of Swiss imports, which show some notable reductions:

	<u>1913</u>	<u>1914</u> (to 25 Nov.)
grain	827,933	549,758
copper	12,569	7,927
lead	7,084	4,506
tin	1,581	850
petroleum	62,943	37,603 (in tons)

The Foreign Office received this reply from the Federal Council with some disquiet. Robert Craigie, who was directly responsible for negotiating with the Swiss, minuted Grant Duff's telegram summarizing the reply with the remark, 'I am afraid that we shall never learn how

1. Hoffmann-Grant Duff, 5 December 1914, note, FO 368-1133-82371/14.

much is really going into Germany through Switzerland until an efficient system of observation on the frontier is established'.¹

More disquieting still was the Swiss government's reservation of the right to grant exceptions to their own prohibitions of export. Taken to its logical extreme, this reservation could render the Swiss export prohibitions a dead letter. An unlimited number of licenses could theoretically be issued for the contraband goods needed in Germany with the result that the general prohibitions against their export would become meaningless, the barrier would be breached, and contraband traffic would flow freely into the Central Powers. The Contraband Department regarded this reservation as entirely unacceptable.

Furthermore, no demands had yet been made regarding the export of finished products manufactured from contraband raw material supplied by the allies. Though raw materials might be prohibited of export, the end products could be, and still were, forwarded to the Central Powers without interference. This traffic included not only goods of a specifically military nature, such as binoculars and zeppelin parts, but also such homely utensils as copper frying pans which it payed the German government to purchase in Switzerland and melt down in German factories for more martial uses.²

1. Craigie's minute on Grant Duff-FO, 7 December 1914, telegram, FO 368-1133-79960/14. Bell (Blockade, p.113), erroneously attributes this minute to Sir Eyre Crowe.

2. Grant Duff-FO, 24 October 1914, telegram, FO 368-1133-63088/14. Grant Duff-FO, 21 November 1914, dispatch, FO 328-1132-76106/14.

Having extracted the first concession from the Federal Council - that of general export prohibitions largely conformed to Allied contraband lists - the Foreign Office determined to increase the pressure on the Swiss government to close the two loopholes in these export prohibitions, by guaranteeing that no exceptions would be granted, and for the first time to embargo all manufactures from contraband material, even goods designed for ostensibly peaceful purposes. Grant Duff was therefore instructed to deal with the Swiss government in the following sense. He was to express the satisfaction of his government that the Swiss list of prohibited exports conformed so closely to the Anglo-French list, but he was to observe that the government were worried about 'exceptional cases'. The prohibition of export of the raw material itself was inadequate when copper, aluminium, nickel, and rubber finished products were being purchased by the German government with a view to melting them down for military purposes. The British government hoped the Swiss would see their way clear to prohibit absolutely the export of goods which can be reworked to military uses. Failing such a prohibition by the Swiss government, it would be necessary to devise some system by which firms receiving raw material will bind themselves not to export manufactured articles to Germany.¹

Fortunately the British minister in Berne was sufficiently aware of the uses to which the Swiss industrial potential could be put

1. FO-Grant Duff, 20 December 1914, telegram, FO 368-1133-82371/14.

to save the British government from being hoist on their own petard by insisting too rigourously on an absolute prohibition of export. He immediately represented that if the federal government were to prohibit all export of articles made from raw materials (such as copper) imported from allied countries, this embargo would be prejudicial equally to the Allies as to the Central Powers.¹ An absolute prohibition would preclude Allied purchases of munitions, precision instruments, locomotives, and a host of other manufactures of great value to the war effort. There seemed little prospect, in any case, that the Swiss government could be induced to agree to so foolish an undertaking as embargoing practically the entire export trade of the nation. One wonders how, with even the most rudimentary knowledge of economics, Foreign Office officials could seriously have suggested to the Swiss government a plan of such obvious economic infeasibility. How a nation which had to import all her coal and industrial raw material,² 80 percent of her grain, and a large proportion of other foodstuffs, could be expected to pay for these imports after she had renounced perhaps 2/3 of her thousand million franc export trade, is beyond comprehension.

Grant Duff's representations and more realistic thinking in the Contraband Department during the early winter of 1914 gradually shifted the attention of the Foreign Office from dealing directly with the Swiss government to contacting individual Swiss firms in order

1. Grant Duff-FO, 22 December 1914, telegram, FO 368-1133-85811/14.

to tighten the blockade. The Swiss government had adopted all measures short of compromising neutrality and inviting economic disaster. If they could give no absolute guarantee against re-export of contraband materials and manufactures, reasoned the Foreign Office, what was to prevent individual firms from adopting these measures as a condition for their receiving goods being delivered in such vast quantities to Genoa? On 24 December the Foreign Office suggested to Grant Duff that future blockade policy should be based on a system of special guarantees from individual firms that they will not export to the enemy, rather than on a general governmental guarantee.¹ A similar policy had recently been implemented in Holland to the mutual satisfaction of the British and the Dutch governments. The subsequent course of the Allied blockade in Switzerland was to run along similar lines, as will be shown in the following chapter.

Meanwhile however, a drop in the imports of copper had induced several Swiss metal firms actually to petition the British government to allow them to sign guarantees against re-export in order to bring imports up to normal.² Aubert Grenier and Co. of Cossonay, the largest importers of metals and rubber in Switzerland, who were in the position to control the ultimate destination of raw materials, offered in early December to submit to any checks of the Board of Trade

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1. FO-Grant Duff, 25 December 1914, telegram, ibid.
Grant Duff-FO, 27 December 1914, telegram, FO 368-1133-87543/14.
 2. Grant Duff-FO, 21 November 1914, dispatch, FO 368-1132-76106/14.

regarding lead, copper, rubber, and other imports.¹ Maschinenfabrik Oerlikon, in a request to buy contraband and restricted articles in the United Kingdom to keep their Swiss works going, promised that 'Oerlikon would be prepared to undertake and guarantee not to send, during the present war, any of the materials which it buys today in Great Britain to Germany, Austria, or Turkey'.² The Foreign Office welcomed this request provided that Oerlikon was prepared not to release materials in their possession in a raw or partially manufactured state by means of governmental dispensations, or in a state of manufacture which would bring it outside the Swiss prohibited list.

This admirable plan to have individual firms provide guarantees against re-export was deceptive in its simplicity. So complex was the nature of Swiss industry that it was impossible for many firms to contemplate binding their hands by this guarantee, even if they had wished to do so. Problems of supply, operation, and organization prevented most firms from working exclusively for one belligerent without calling down the retribution which was within the power of the other to mete out. It will perhaps be instructive at this point to consider the peculiarities of the Swiss industrial system which underlay this predicament.

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1. J. Valloton (agent of A. Grenier and Co.) -FO, 7 December 1914, letter, FO 368-1133-82807/14.
 2. D. Schindler (agent of Oerlikon) -FO, 15 December 1914, letter, FO 368-1133-83397/14.

As has been noted, Swiss firms drew their raw materials and propellants indiscriminately from both groups of belligerents. Shortages in Germany had forced Swiss businessmen in the early months of the war to seek contracts elsewhere for those raw and half-finished metals which had formerly been more conveniently purchased from German firms. This circumstance had the effect of bringing the affected Swiss firms more under the economic domination of the Allies. This domination was not, however, complete for studies had demonstrated the impracticality of supplying Swiss firms with Allied (i.e., British) coal with the result that the coal supply monopoly had to be left in the hands of the Germans. In the abstract the Allies were faced with three choices: (a) to bring widespread ruin on Swiss industry by a complete embargo of all supplies, (b) to supply both raw stuffs and the required coal, and then absorb the entire output of Swiss industry, and (c) to compromise by allowing Swiss firms a certain leeway in their exports to obtain German coal. The first choice was as monstrous as the second was impractical; the Allied governments therefore selected the third course of action, the details of which were worked out in the summer of 1915.

No less awkward than the problem of supply was that of the operational procedures of Swiss industry. Swiss industry had never been independently self-contained. Through a division of labour and of operations it had integrated itself with the industries of the surrounding nations, in particular with those of France and Germany, so that the fact of national boundaries played an insignificant rôle

in the manufacture of finished articles. Frequently a partially finished article would cross the frontier several times, being reworked in various ways until its completion. Just as it was imprecise to regard such an article as of properly Swiss manufacture, so it was more precise to regard Swiss industry as central European rather than as exclusively Swiss. These industrial operations proceeded of course under an involved system of contracts, sub-contracts, and trade agreements in an orderly, if at first somewhat mystifying way. The general term for these procedures was trafic de perfectionnement, which included two distinct operations, an active and a passive phase. When a Swiss firm purchased raw materials, sent them to be worked up in a foreign factory, which presumably could do the job more quickly and cheaply, and then re-imported the partially worked articles in order to finish them back in Switzerland, this was known as passif de perfectionnement. On the other hand, actif de perfectionnement was called into operation when, for example, a semi-finished product of a German factory was sent to Switzerland to be finely finished by, say, a rare and expensive grinding machine in a Winterthur factory, and was afterwards re-exported to Germany.¹ Is such a product Swiss, or is it German? What, in a word, constitutes the naturalization of a manufactured item?

1. Bell, Blockade, p.301.

Even more impatient of facile solution was the problem presented by the organization of Swiss industry. Many of the largest industrial and commercial firms had been developed during the latter half of the nineteenth century by foreign interests, who controlled these firms in whole or in part. Generally speaking, French control was strong in the watch, condensed milk, chocolate, and construction firms of West Switzerland, while German influence predominated in the machine industry of the North-East. Further, organizations of genuinely Swiss origin often expanded across the border to France and Germany, opening factories on foreign soil, or acting as holding companies for a wide diversity of interests.

A case in point is presented by the Swiss engineering house, Brown, Boveri of Baden (Canton Aargau). The main plant at Baden produced engines, turbines, special castings, and other heavy industrial products for the manufacture of which they imported copper from the United States, tin from the British Straits Colonies, and steel and coal from Germany. But the same firm owned or enjoyed controlling interest in six other manufacturing houses in Switzerland, six firms in France, three in Germany, one in Austria, and Brown, Boveri and Co., Ltd., of London. In all they maintained controlling interest in some thirty-two subsidiaries of one sort or another in five nations.¹ In the manner of European cartels, the destiny of this

1. Skipworth (assistant commercial attaché)-Grant Duff, 27 March 1915, report on Brown, Boveri Company, FO 382-402-36662/15.

great industrial empire was presided over by an interlocking directorate of some seventy members among whom were found Brown and Boveri, National Councillor Julius Frey, Walther Rathenau, chairman of the Allgemeine Elektrizitäts Gesellschaft, National Councillor Ernst Schmidheiny, Hans Sulzer, and F. Barker of Surrey. Simultaneously the Brown, Boveri firms were producing turbines for Great Britain, chemicals for France, electric motors for Germany, and engine parts for Austria. Was this company friend or foe? A plan put forth to control the Swiss plants by sequestering the French and British affiliates was considered by the Allied governments, but rejected on legal grounds since the branches were manifestly French or British even though their shares were foreign held.¹ Brown, Boveri was not unique in the complexity of its supranational structure. All such firms were suspected by the Allies of commerce with the enemy.

All these factors intrinsic to the nature of Swiss industrial and commercial firms made it difficult for them to pledge their allegiance to Allied war aims. The firms had first to be examined and their relative dependence on each of the belligerent camps estimated before such undertakings could be entered upon. Negotiations would have been more difficult except for the appointment in January

1. Memorandum by R.H. Brand on the Brown, Boveri Company, 26 April 1915, FO 382-402-54146/15.

1915 of George A. Skipworth as assistant commercial attaché for Switzerland.¹ Skipworth had been an agent of Westinghouse Company, a good linguist, with a broad knowledge of Swiss commerce, who had showed great ability and resource in assisting with the repatriation of British subjects stranded in Switzerland at the commencement of the war.² For the duration of the conflict he was to be Great Britain's principal authority on the activities of Swiss firms, conscientious to report irregularities, but highly esteemed and well liked by the Swiss. His first task was to secure guarantees from either individual firms, or syndicates of firms engaged in similar enterprises, 'for whose bona fides and reliability the Swiss government would vouch', that Allied materials would be consumed only in Switzerland or exported to the central powers only with the authorization of Allied governments.³

Looking back over 1914, the contraband officials in the Foreign Office could well be satisfied with the progress made in containing Swiss exports to the Central Empires. Traffic on the Rhine had been stopped, Italy had placed severe restrictions on her trade with

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1. Grant Duff-FO, 2 January 1915, telegram, FO 382-402-792/15.
 2. FO-Treasury, 13 January 15, letter, FO 382-402-2673/15.
 3. Grant Duff-Hoffmann, 14 January 1915, note verbale, FO 382-405-8673/15.

Switzerland, and the Swiss government had done much by prohibiting exports to accommodate to Allied blockade policy. The work of inducing Swiss firms to accept individual guarantees to restrict enemy trade even further had begun. It was not to be an easy task.

IIIS.S.S. ESTABLISHED

The delivery of Swiss imports through Genoa fell off appreciably after the publication of the Royal Decree of 13 November 1914.¹ In their anxiety to retain the good will of the Foreign Office, then championing their cause in the Allied camp, the Italian government were enforcing their contraband law with great rigour. Consequently enormous stocks of grain, coffee, oil, and metals consigned 'to order' in Switzerland crowded the quays and warehouses of the port. Although the Royal Decree prohibited the export of all goods consigned 'to order' only to keep them from reaching Germany, the prohibition was causing shortages in Switzerland. The Swiss government naturally took exception to what they considered the virtual inclusion of Switzerland in the Allied blockade, especially since consignment 'to order' had always been a standard commercial practice, and there was little doubt, in view of domestic shortages, that goods so consigned would be used in Switzerland.

1. See Chapter II, pp. 57-58.

The Swiss Department of Public Economy therefore dispatched National Councillor Alfred Frey, president of the Schweizerischer Handel-und Industrieverein, to Rome to plead with the Italian authorities for sweet reasonableness in releasing these commodities. Frey arrived at the beginning of January, armed with statistics showing that Swiss imports for 1914 were less than those for 1913. He demanded the release of all goods shipped before 13 November 1914 (when the Decree was promulgated) and urged that all shipments actually in Italy by 31 December 1914 be exempted from the prohibition of export since no warning nor period of grace had been provided for in the Decree's text. The Swiss government, he added, were prepared to guarantee the non-export of these goods.¹

The Italian government were in a quandary. The commercial advantages of maintaining or increasing trade with Switzerland were tempting, but the political repercussions in Great Britain had also to be considered. At a time when negotiations for joining the Allies required the utmost tact, Baron Sonnino, the foreign minister, was loath to chance offending the British government by making exceptions to the law enacted specifically to win British favour.

Nor had the British policy encouraged exceptions. During the previous November, the Italian government had expressed to the Swiss their willingness to release all goods afloat before the publication of the Royal Decree, if the British did not object. But since the Foreign Office had urged the export prohibition on the Italian

1. Rodd-FO, 7 January 1915, telegram, FO 382-405-2127/15.

government in the first place and were then pressing to make the Italian contraband embargo absolute, they had at the time deprecated allowing any exceptions and so losing their locus standi for the future. They had intimated to the Italian government that Italy and Switzerland must settle the matter together, but added ominously that what the Italian government decided was to be on their own responsibility.¹ In the circumstances, the Italian government naturally demurred, and the export situation worsened during the early winter.

By January, however, a new mood had come over the Foreign Office. The Swiss minister's continual and indignant representation about British hindrance to Swiss trade, and reports of growing irritation among Swiss businessmen who blamed the English for all their woes, began to cause concern in the Contraband Department. At the same time apprehension grew that Switzerland was 'really badly off' and that care must be exercised not to starve her. Sir Eyre Crowe maintained in his precise way that 'it is the Italians and not we who are holding up the consignments for Switzerland which, being consigned 'to order' to Genoa, there fall under the Italian prohibition of export', but thought it wise in any case to have the British ambassador give his 'good offices' to urge the Italian government to meet the Swiss requirements 'in a generous spirit'.² Rodd was

1. Rodd-FO, 7 January 1915, telegram, FO 382-405-2127/15.

2. FO-Rodd, 30 November 1914, telegram, FO 368-1134-74518/14

3. Minute by Crowe on Grant Duff-FO, 5 January 1915, telegram, FO 382-405-1658/15.

therefore instructed to recommend the Swiss proposals to the Italian government and to help Frey to come to a settlement satisfactory to the Swiss government.¹

The encouragement of the British ambassador enabled Baron Sonnino to reach such an agreement with Alfred Frey during January. All goods which arrived in Italy by the end of 1914 were allowed forward to Switzerland. Cereals, petrol, and benzine were addressed to the federal authorities who gave firm assurances that no export permit would be given for these commodities. A list of all Swiss imports, their quantity and destination, was given to Rodd.²

Just when the Foreign Office believed they had won the good will of both the Swiss and the Italians by their reasonable attitude in aiding this mutual commerce, and were hoping to utilize this advantage for obtaining further concessions from Switzerland, an event occurred which called into question the motivation and integrity of the British government, by giving the impression that they were taking away with the left hand what they gave with the right.

Reports began to circulate that American and Italian shipping firms were refusing to accept goods for delivery in Switzerland,

1. FO-Rodd, 9 January 1915, telegram, FO 382-405-2127/15.

2. Rodd-FO, 22 January 1915, dispatch, FO 382-405-10073/15.

even to named consignees.¹ The alleged reason for this refusal was a British warning threatening all vessels shipping Swiss cargoes with detention by British Admiralty authorities at Gibraltar for having suspect goods on board. Delays are naturally costly in the shipping business and the possibility of having to discharge a cargo, or worse a partial cargo, for adjudication by a prize court sufficed to cause a rejection of Swiss business. The Banca Commerciale in Rome had begun the movement by ordering its subsidiary, the Navigazione Generale, one of the largest shipping lines, to refuse all Swiss trade. The British ambassador suspected that the Banca Commerciale which, as intermediary for the extension of German trade in Italy, was menaced by the disabilities the new Italian laws imposed on German importers, had done so specifically to undermine British influence and add fuel to the fires of general irritation against the blockade.² Having received no notification of a British warning, Rodd assumed that rumours from the Navigazione Generale case accounted for the general refusal to take Swiss business. Dismissing the whole affair as a German propaganda stunt, he suggested the publication of a démenti in the press, exonerating the British government from all responsibility.

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1. Rodd-FO, 5 January 1915, telegram, FO 382-405-1658/15.
P.Ritter (Swiss Minister in Washington) -W.J. Bryan (Secretary of State) 8 January 1915, letter, FR 1915 Supplement, p.303.
 2. Rodd-FO, 31 December 1914, dispatch, FO 382-405-2416/15.

The Foreign Office concurred, and issued a communiqué in this sense which was widely reported in the press.¹ Unfortunately, unknown to the Foreign Office, the British government was fully responsible. The head of the trade division of the Admiralty, without informing the Foreign Office, had in fact warned steamship lines in the Atlantic trade that all cargoes with a Swiss destination would be subjected to the severest scrutiny, and shippers would be well advised to refuse all such cargoes.²

The embarrassment caused the Foreign Office when the facts were brought to light was extreme, especially in consequence of the denial they had issued to the international news services, and of Sir Edward Grey's firm assurance to Carlin that far from intending to injure the interests of Switzerland, the British government had

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1. The article in the Swiss Journal de Genève for 15 January 1915 ran:

Il paraît que certaines lignes transatlantiques en Amérique et en Italie refusent d'entreprendre le transport de marchandises adressées à des maisons suisses et que ce refus a été attribué dans certains milieux à des mesures suggérées de la part des autorités anglaises. Cette dernière déduction est entièrement sans fondement, car le gouvernement britannique est au contraire de plus soucieux d'éviter tout ce qui pourrait entraver le transport d'articles réellement destinés à la Suisse même.

2. Bell, Blockade, p.303.

absolutely nothing to do with the refusals of the shipping concerns.¹ The naval representatives on the Contraband and Restrictions Committees, impatient of Foreign Office subtlety, and acting on the supposition that Switzerland was an enemy arsenal, had not informed the Foreign Office of the Admiralty order. Even after the exposé they persisted in this harsh attitude to Switzerland for military reasons, entering into acrimonious debates with Cecil Hurst, the Foreign Office representative on the Restrictions Committee, who argued equally fiercely for concessions to the Swiss for diplomatic reasons, while 'the other members of the Committee looked on with considerable amusement'.²

These internecine struggles in the British government did not escape the notice of the Swiss minister who reported in early 1915: 'ich bin in der Ansicht bestärkt, dass in allen diesen Fragen das Auswärtige Amt selbst unter der Diktatur des Kriegsministeriums (Kitchener) und der Admiralität (Churchill) zu leiden hat'.³ But the event, instructive as it may be in illustrating the uncertainty of early blockade policy and the lack of coordination between the

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1. Carlin-Pol. Dept., 20 January 1915, dispatch, Pol.Dept. 2001 (k), Schachtel 54.
 2. Minute by Hurst on aide memoire of Carlin, 3 February 1915, FO 382-405-13200/15.
 3. Carlin-Pol.Dept., 20 January 1915, dispatch, Pol.Dept. 2001 (k), Schachtel 54.

interests of the individual government departments, was not calculated to inspire confidence in the straightforwardness of the British government and of the Foreign Office who were actually seeking a reasonable and negotiated solution to the Swiss problem through the efforts of George Skipworth, the newly appointed commercial representative.

The incident had the advantage from the British viewpoint, however, of bringing home clearly to the Swiss the need for a speedy settlement of the import problem, for it showed how powerless they were to defend their commercial rights if the Allies determined to eliminate their supplies in the interest of the blockade. In their determination to keep contraband from the enemy, the military arm of the blockade both in Great Britain and France did not, or would not, recognize the special problems presented by the complex nature of Swiss industry. The respective foreign offices, with their particular interest in preserving the good will of the neutrals, naturally adopted a more understanding attitude, but the fact remained that supplies reaching Switzerland were dwindling, and genuine shortages of non-ferrous metals, cotton, and oil were being experienced.¹

Since the Swiss government felt constrained by considerations of neutrality and free enterprise not to interfere directly in Swiss commerce, a solution to the import problem had to be sought along non-

1. National Councillor Cailler -Walter Runciman (Board of Trade), 21 January 1915, letter, FO 382-403-9685/15.

official lines. The foundation in Holland on 23 November 1914 of the N.O.T. (Nederlandsche Overzee Trust Maatschappij) shed some light on how this might be accomplished. The N.O.T. was a private organization with a capitalization of 2.4 million guilders, recognized by both groups of belligerents as the sole importer, distributor, and exporter of contraband goods in that nation. It was entirely the creation of Dutch businessmen who accepted full responsibility for all imports and guaranteed their non-export to the enemy. No juridical ties existed between the trust and the Dutch government, so that neutrality was in no way compromised.¹ The N.O.T. appeared to solve the two problems of neutral commerce, for by winning the confidence of blockade authorities it provided for ample imports, and at the same time, since it was a private concern, it avoided the onus of governmental interference in free enterprise. It transformed the doctrine of continuous voyage from a disputed legal rule into a workable contract between businessmen, and freed the Dutch government from the invidious task of imposing restrictions on the nation's commerce. As a businessman's arrangement for stopping enemy supplies, the N.O.T. was regarded as the first practical plan of economic warfare.²

1. Siney, op.cit., p.40.

2. Bell, Blockade, p.72.

On 7 December 1914 the members of the Zürcher Handelskammer suggested that an organization similar to the N.O.T. might be established in Switzerland to supervise the distribution of imports. The Swiss government was unwilling at first to take the initiative in organizing a trust, since they hoped for equally favourable results from individual agreements between Swiss firms or syndicates of firms and the Allied governments, which Skipworth was trying to arrange. It was felt in informed circles that the Federal Council 'would be grateful if they could be overlooked in this matter as they would then have no accounts to render or complaints to hear from belligerents on the other side'.¹

Nevertheless, the Swiss minister in Great Britain stopped in at the Hague on his way back from a visit to Switzerland to observe the structure and working of the N.O.T. In a conversation with Sir Eyre Crowe on 19 January 1915 Carlin mentioned the N.O.T. in a general way and wondered, without committing his government, about the possibility of a similar organization for Switzerland. Crowe replied that the British government would welcome the establishment of a Swiss import trust of any type which would aid commerce without allowing contraband to reach the enemy.² In fact, on 14 January,

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1. Professor F.F. Roget (University of Geneva) - J.A. Spender, 12 January 1915, letter (forwarded to the Foreign Office), FO 382-403-12540/15.
 2. Notes by Sir Eyre Crowe on a conversation with the Swiss Minister on 19 January 1915. FO 382-405-7995/15.

Grant Duff and Jean Beau (the French Ambassador) had presented a joint note verbale to the Swiss minister for foreign affairs observing that where absolute government prohibitions of export were impossible, their respective governments would be satisfied with proper guarantees either from individual firms or syndicates of houses engaged in similar enterprises.¹

The French ambassador favoured the establishment of a number of independent syndicates, such as a Nitrate Trust or a Copper Trust, which would be dealt with severally and which would accept responsibility for the proper use of specific imports. It was assumed that these syndicates would be created under the 'sponsorship' of the Swiss government who would verify their operations.² The British government felt, however, that the difficulties involved in the supervision of many syndicates would be greater than those involved in overseeing a single trust, and expressed their preference that negotiations be opened for the creation of a general fiduciary organization on the lines of the N.O.T.³ By early February the French came around to the Foreign Office view and were ready to co-operate with the British in

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1. Grant Duff/Beau-Pol.Dept., 14 January 1915, joint note verbale, FO 382-405-8673/15.
 2. Carlin-FO, 19 January 1915, letter, FO 382-405- 7226/15.
 3. FO-Carlin, 26 January 1915, letter, ibid.

the establishment of a general trust. Craigie believed the Swiss government would favour private initiative in this matter so as to preserve their own absolutely neutral position, though of course nothing could be done 'without their approval and consent'.¹

Although the Federal Council did in fact continue in their cautious policy of allowing private concerns to take the lead in negotiating trust organizations, they gave their full official support to obtain non-ferrous metals, especially copper, whose shortage threatened serious work stoppage and wholesale unemployment in Swiss factories. In order to give the British government every possible guarantee, the Swiss government began in January to purchase for their own account the copper held up in Gibraltar on Admiralty orders since the previous autumn.² Consignments were to be addressed to the Commissariat des Guerres de l'Armée Fédérale at Berne, and an absolute guarantee against re-export, even for temporary re-export for finishing in German factories, was granted.³ Eventually the Federal

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1. Minute by Craigie on Roget-Spender, 2 February 1915, FO 382-403-12540/15.
 2. Carlin-FO, 11 January 1915, letter, FO 382-403-4021/15.
Admiralty-FO, 23 January 1915, letter, FO 382-403-9184/15.
 3. Carlin-FO, 3 February 1915, aide memoire, FO 382-405-13200/15.
Two Swiss army organizations were concerned with imports:
1) Commissariat des Guerres (Oberkriegskommissariat - O.K.K.) until May 1915. 2) Commissariat des Guerres de l'Armée Fédérale (Armeekriegskommissariat A.K.K.) charged with the supply of other necessities for the army on a war footing.

Council was able to purchase 1385 tons of the metal in the United States as a substitute for the original consignments which had since the autumn been sold by the Prize Court at Gibraltar or requisitioned for Allied military use.¹ Even though a statistical report on the copper trade by the Assistant Commercial Attaché in Berne confirmed Sir Eyre Crowe in his impression 'that the suspicion against Swiss dealings in regard to copper have been much exaggerated and are largely unreasonable',² the subsequent delivery of the 1385 tons provides a saga of delay, obstructionism, mutual suspicion, and frustration.³

Government purchase of metal (and a few other commodities)⁴ was a temporary expedient. Meanwhile the Federal Council were lending their unofficial support to encouraging private fiduciary agreements between Swiss firms and the Allied authorities. In early March the Swiss minister in London forwarded to the Foreign Office a model charter for a syndicate of rubber and of metal firms whose

1. FO-Carlin, 2 March 1915, letter, FO 382-405-23095/15.
Carlin-FO, 7 April 1915, letter, FO 382-405-40620/15.

2. Minute by Crowe on G.P. Skipworth's report of 24 March 1915, FO 382-405-36649/15.

3. Bell, Blockade, pp.302-303.

4. In January 1915 the Federal Council concluded an oil agreement with the French. Thereafter, petroleum was consigned to the Swiss government according to an exact ration.

principal organizer appears to have been a Colonel Schindler, who had met difficulties in purchasing copper for his own account.¹

The charter of the metal syndicate as originally proposed contained 23 articles, establishing it as a corporation under Swiss law, providing guarantees against re-export, and levying fines against infractions of its rules.² The Foreign Office found the proposals open to various criticisms since the guarantee against re-export was not absolute, the fines seemed insufficient, and the seat of the trust was to be located in Zurich, 'the center of German influence in Switzerland'. Pending the revision of this charter, the Foreign Office proposed to the War Trade Department the suspension of licenses for further consignments of copper to Switzerland,³ and instructed the British ambassador in Paris to urge the French government not to allow some 850 tons of copper through to Switzerland, since 'nothing should be done which might indirectly weaken our power of bargaining'.⁴ Licensing of rubber exports

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1. Skipworth-Grant Duff, 18 March 1915, letter, FO 382-405-33993/15.
 2. Carlin-FO, 1 March 1915, letter, containing the charter of the model syndicate, FO 382-405-23740/15.
 3. FO-War Trade Department, 17 March 1915, letter, FO 382-405-31682/15.
 4. FO-Bertie, 23 March 1915, telegram, FO 382-405-32772/15.

as well was temporarily suspended by the British government. In their reply to the Swiss government regarding the rubber and metal syndicate proposals, the Foreign Office made it plain that they would prefer not to confine future negotiations to dealing with individual commodities like rubber and metal, but to extend their scope so that all goods on British contraband or prohibited lists could be consigned to a general trust organization. To assist these negotiations, Sir Francis Oppenheimer was being sent from the Hague to Berne.¹

Sir Francis Oppenheimer had been consul-general at Frankfurt, and later commercial attaché at Berlin. When the war broke out he was assigned to the Hague as commercial attaché, and there negotiated the instrument which established the N.O.T. At a meeting of the Contraband Committee in late February he was chosen to seek a similar agreement with the Swiss government, since negotiations in Berne for a general trust under private auspices were making no progress.² Oppenheimer left the Hague on 4 March, stopping in at London for talks with the Swiss minister and for instructions from the Foreign Office, and in Paris to confer with Jean Gout, vice president of the newly formed Comité de Restriction des Approvisionnements et du Commerce de l'Ennemi, which was entrusted with gathering information on enemy commerce and especially on Swiss trade with the Central Powers.³

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1. FO-Lord Acton (Chargé d'Affaires), 21 March 1915, telegram, FO 382-405-2995/15.
 2. FO-Sir A. Johnstone (British minister at the Hague), 26 February 1915, telegram, FO 382-405-23661/15.
 3. Siney, op.cit., pp.72-3.

Oppenheimer gathered from his interview with Gout that the attitude of the French government toward the idea of a general Swiss fiduciary organization was favourable but unreasonably severe. They envisaged, for example, a complete embargo on deliveries to Swiss firms with any German connection whatsoever. Goods would be forwarded only to French-Swiss firms, leaving German-Swiss firms to fend for themselves as best they could. Goods in transit through France from England to Switzerland were being detained by French customs authorities who demanded that British exporters apply to them for French export licenses. Oppenheimer suspected that this was done not only to keep contraband from Switzerland but to prevent 'British firms obtaining a footing in Swiss markets in competition with the French'. He was inclined to negotiate for the best possible arrangements with the Swiss, if necessary independently of the French, in the hope that when presented with a fait accompli the French government would be induced to abandon some of their extreme demands, and take a more benign attitude to British exports.¹ The Foreign Office regarded this as a satisfactory procedure, and while they opened discussions with the French government to ensure freedom of transit for British goods, Oppenheimer went on alone to Berne to

1. Grant-Duff-FO, 9 April 1915, telegram, FO 382-405-41705/15.

negotiate with the Swiss authorities.¹

Meanwhile the Swiss Political Department had been besieged with suggestions from commercial interests both in Switzerland and in England to help conclude an agreement with the Allies to normalize trade which was being stifled by uncertainty and mistrust about the ultimate destination of Swiss imports.² Moreover, the Reprisals Order-in-Council of 11 March 1915, which stated the Allied intention to stop all German trade, imports and exports alike, without reference to its contraband or non-contraband character, presaged, if anything, a harsher line on neutral commerce in the months to come. Copper and rubber imports had ceased pending the formation of acceptable syndicates, and many shipping firms persisted in their refusal to carry Swiss goods.³ The French had begun to detain even British shipments. Faced with the threat of widespread paralysis of Swiss industry and the apparent incompetence of private concerns to negotiate a general settlement, Federal Councillor Hoffmann, the chief of the Political Department, had little choice but to appoint a representative to discover what terms the British had to offer. The choice fell on National Councillor Alfred Frey, who had negotiated the agreement with Italy during January. In the present negotiations

1. FO-Grant Duff, 20 April 1915, telegram, ibid.

2. e.g., M. Lachenal-Pol.Dept., 4 February 1915, letter, Pol.Dept. 2001 (k), Schachtel 14. Messrs Heymans (London)-Carlin, 17 February 1915, letter, ibid.

3. Rodd-FO, 26 April 1915, dispatch, FO 382-406-50163/15.

he was authorized only to 'discuss' Oppenheimer's proposals and to submit the results of these discussions to the Political Department.¹ This cautious policy of the Swiss foreign secretary was dictated, of course, by fear of appearing unneutral, or of favouring a segment of Swiss business.

Meetings between Frey and Oppenheimer began on 12 April. Sir Francis presented a private informal exposé, intended to serve as a point de départ for subsequent discussion, and Frey submitted a list of fourteen Swiss citizens who could be regarded as candidates for the board of the proposed trust organization. During the course of the subsequent meetings which took place over a two week period, Oppenheimer called on Sir Henry Angst, the British consul general at Zurich, to discuss the list of candidates, and Frey conferred with the Political Department and with leading Swiss businessmen about the British proposals which he had received 'more favourably than expected'.²

Oppenheimer's plan envisaged a trust organization in two tiers. The supreme superintending authority, known as the Société de Surveillance, was to comprise seven private individuals whose 'absolute good faith and integrity' were to be guaranteed by the Federal Council, but which was to be of a private character. A representative of the British government, to whom the books of the

1. Oppenheimer, op.cit. pp.253,256.

2. Grant Duff-FO, 19 April 1915, dispatch, FO 382-406-46201/15.

organization were to be open, should enjoy a certain measure of supervision in the society's activity. The Société was to meet at least twice weekly in Berne and perform a threefold function:

(1) to supervise the Swiss import trade by acting as the unique consignee of all goods imported into Switzerland, and to oversee the distribution of all these supplies, (2) to advise the Federal Council in methods of trade supervision (prohibition of exports, frontier control, gathering of statistics, and so forth), (3) to suggest punitive measures for violations of commercial laws, such as smuggling, to be meted out by the federal authorities.

Under the Société de Surveillance were to be a group of syndicats industriels, organized along the lines of the Metal Syndicate, which had just come into being after a revision of the originally proposed charter. All Swiss firms should join the proper syndicate according to the type of materials they required. The director of each syndicate would distribute these materials pro rata to its members. Each syndicate was to deposit a cautionary sum, representing several times the value of goods in hand, with the superintending Société. The funds would be deposited in the National Bank and the interest would be used to meet the operating expenses of the Société de Surveillance. In the event of a breach of export regulations by a firm, the sum it deposited was to be confiscated and the firm prosecuted for fraud.¹

1. Memorandum by Oppenheimer enclosed in Grant Duff-FO, 19 April 1915, ibid. Société Suisse de Surveillance Economique, 1915-1921. Rapport Interieur (Berne, 1921), p.20.

The Germans were invited to use the services of the proposed trust, as was the case with the N.O.T. in Holland, but they preferred their own recently devised system of barter by which they exported goods to Switzerland only in exchange for specified imports from that country, and so declined to join.¹ The German government appear to have applied their system scrupulously and had recently extended its scope by refusing to allow German firms to supply Swiss manufacturers with certain raw materials or finished parts, unless the Swiss firms undertook not to export to the Allies goods to which the Germans objected. A committee of Swiss manufacturers of machines journeyed to Berlin to plead for less harsh treatment at the very time when the Oppenheimer-Frey negotiations were in progress.² The Foreign Office regarded the German demands as playing into their hands and saw them as a strong inducement for the Swiss to come to terms with Sir Francis Oppenheimer.

In the course of their discussions Oppenheimer and Frey decided that in the interests of impartial neutrality no British representative would sit on the supervisory board which should not, however, be entirely private as was the N.O.T., but semi-official in so far as its members were actually to be appointed by the Federal Council.³ All policy decisions, excepting routine business, were

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1. Sir Francis Oppenheimer, Stranger Within (London, 1960), p.256. He quotes J. Jastrow, Volkerrecht und Wirtschaftskrieg (Breslau, 1917), p.32.
 2. Grant-Duff-FO, 15 April 1915, telegram, FO 382-406-44666/15.
 3. Oppenheimer, op.cit., pp.255-56.

likewise to be submitted for the approval of the Federal Council. Oppenheimer was confident - he later admitted over-confident - that within the syndicates jealousy between members of conflicting racial sympathies would facilitate the necessary supervision.¹ More intricate was the problem of the continuance of transit trade from Italy, and of finishing traffic (trafic de perfectionnement) with Germany. A partial solution to the transit trade difficulty was provided by the secret treaty of London of 26 April in which Italy pledged to enter the war against Austria-Hungary, but the trafic de perfectionnement demanded much patient explanation to allay Allied suspicions that under this guise their goods were used to the benefit of the German war effort.

For the information of the Foreign Office, Oppenheimer produced a lengthy study of this traffic in which he showed that imported raw materials such as copper were of little value to Switzerland unless linked to manufacturing in Germany. He strongly advocated permitting the continuation of the improvement trade under strict limitations of time (three months in Germany) for working the articles and narrow tolerances (ten percent) for wastage. Mutual profit minimized the danger of seizure by the Germans, while the limited amounts involved took away the force of the objection that

1. Ibid., p.255

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such traffic would provide valuable employment for German workmen. Eventually the contraband committee conceded the principle of improvement traffic, and its regulations were written in the final draft of the bye-laws of the Society.

On 26 April, after a final conversation with Frey, Oppenheimer submitted three documents for the consideration of the Federal Council. They were the constitution of the Société Suisse de Economique, as the trust was to be called, a list of its bye-laws, and the constitution of the metal syndicate, to be used as a model for all other syndicates.² Frey passed on Oppenheimer's proposals to Federal Councillor Edmund Schulthess, the head of the Department of Public Economy, and to Hoffmann, the foreign minister, who tentatively agreed to the terms on behalf of the Federal Council on 9 May.³

In a long and detailed report, dated 11 May, the Swiss Political Department recounted for the benefit of the Federal Council the history of the events leading to the Oppenheimer-Frey negotiations, and explained why the acceptance agreed upon was

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1. Report of Sir Francis Oppenheimer on Trafic de Perfectionnement, 4 May 1915, FO 382-406-54345/15.
 2. Grant Duff-FO, 28 April 1915, telegram, FO 382-406-50836/15.
 3. GrantDuff-FO, 9 May 1915, telegram, FO 382-406- 57144/15

advisable. The report stated frankly that since the trust did violence to the right of choice and diminished economic freedom, no member of the Federal Council could be found to agree to it if times were 'normal'. Under the present circumstances the Political Department was convinced that there was no alternative to its acceptance since the Allies ruled the seas, the harbours, and the railway lines. The proposed organization, objectionable as it might be, would cause less inconvenience in the long run than individual contracts to which Swiss firms had been hitherto forced to submit. These contracts stipulated the presence of Allied inspectors on the premises of Swiss factories, and put account books at their disposal. More seriously they favoured French controlled organizations in western Switzerland to the prejudice of firms owned by Germans or by German speaking Swiss.¹

The trust ought not to be regarded as set up against the interests of Germany and of Austria-Hungary who would be accorded similar privileges if requested. These governments had been kept au courant of the negotiations and realized that their own position would not be improved if Switzerland refused to accept the proposed trust, for Switzerland would be deprived of necessary raw materials

1. e.g. Gebr. Volkart (Winterthur)-Pol.Dept., 28 May 1915, letter, Pol. Dept. 2001 (k), Schachtel 7. This firm claimed that officials in Port Said were discriminating between Deutschweizer and Welschschweizer firms. An investigation was begun, but Carlin reported in September that 'l'enquête ... n'a mené à aucun résultat'.

and other imports, without the slightest advantage accruing to the Central Empires.¹

The Federal Council agreed to accept the suggested trust organization in all its essential points,² but pledged the Political Department in further negotiations to insist on a system of exchanges of Allied goods with the Central Empires, and on upholding international treaties regarding transit trade. They also felt it essential, in the interests of wartime neutrality and of post-war economy, to continue to keep Germany informed of all the details on these negotiations.³

On 13 May the draft constitution of the proposed trust, its bye-laws, and the statutes of the metal trust were reviewed by a sub-Committee of the Restriction of Enemy Supplies Committee under Sir Francis Hopwood. Several minor revisions were made by this sub-committee, including a bye-law to furnish the Allied governments with a monthly statement of the society's operations, but the draft was regarded as generally satisfactory. It was then submitted to the Cabinet for their approval.⁴ Sir Francis Oppenheimer, after

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1. Report of the Political Department on the proposed trust organization, 11 May 1915, EVG SSS GS 1915-1919, Schachteln 1-3.
 2. Pol.Dept.-Darlin, 19 May 1915, telegram, FO 382-406-63146/15.
 3. Protocol of the Meeting of the Federal Council, 18 May 1915, EVD SSS GS 1915-1919, Schachtel 1-3.
 4. Draft constitution, etc., and minutes of the sub-committee, 13 May 1915, FO 382-406-59183/15.

stopping briefly in Paris to inform J. Gout (Comité de Restriction) of the progress of the negotiations and leave a copy of its results for French approval,¹ had returned to London to report on conditions in Switzerland and to answer possible objections to the proposed trust.

The Cabinet was satisfied with the limited blockade expressed in terms of the Swiss trust agreement, but in Paris a different wind was blowing. The French government's thinking was evolving toward an integral blockade which would not only completely eliminate Swiss trade with Germany (except for purely domestic products) but also embargo all enemy owned firms established in Switzerland, even those in no way engaged in exporting to the Central Powers. Moreover, as Lord Granville, counsellor of the British Embassy in Paris, gathered from a private conversation with the French minister for foreign affairs, French susceptibilities in certain quarters had been offended by the negotiations being conducted entirely by the British government, and the results being communicated to the French government to take or leave. This method of procedure was considered correct in Holland, but special French interest in Switzerland rendered it quite unacceptable there. Sir Francis Bertie (The British Ambassador in Paris) therefore

1. F.L.Bertie (Viscount Bertie of Thame) The Diary of Lord Bertie of Thame 1914-1918, ed. A.G. Lennox (London, 1924), I, 164.

suggested considering the French revisions pari passu with any emendations the British government might wish to add to the draft treaty, and conducting the discussions in Paris rather than in London as an anodyne for the French.¹ Sir Eyre Crowe suspected French opposition to the scheme was inspired by an unnamed official of the French Embassy in Berne who had 'private interests to serve' and would personally benefit by the working of a rival French scheme which favoured French Swiss firms.²

Accordingly, Sir Francis Oppenheimer returned to Paris at the end of May. In the course of the subsequent meetings he got the impression that the principal opponent of the draft was the minister of war, but was confident that his opposition would be outweighed by the Comité de Restriction who inclined to accept the scheme, though with certain modifications.³ Both he and Lord Granville urged on the French government the desirability of concluding the trust agreement at the earliest possible moment, and presenting it in its completed form to the Italians who had entered the war against Austria-Hungary on 23 May and whose inclusion in the discussions would cause further delay.⁴ The Foreign Office supported this plan, and the Italian government for their part immediately pledged to accept the trust

1. Bertie-FO, 27 May 1915, telegram, FO 382-406-68188/15.

2. ibid., minute of Crowe.

3. Bertie-FO, 28 May 1915, telegram, FO 382-406-68321/15.

4. Bertie-FO, 30 May 1915, telegram, FO 382-406-68971/15.

scheme in principle, although they reserved the right to propose emendments of detail.¹

The French authorities pressed in the Paris meetings for several alterations to lend greater stringency to the draft. The most important of these were a precision of the rationing principle under which supplies for Switzerland were to be limited to average normal quantities minus average exports to the Central Powers, and a stipulation that the Federal Council scrupulously guarantee all engagements of the trust.² On the other hand, the French consented to abandon their objection to the inclusion of non-Swiss members (i.e., German firms established on Swiss soil) in the various syndicates, and to accept the principle of trafic de perfectionnement. The emended scheme was approved by the French government,³ who then assigned G. Crozier, with plenipotentiary powers to accompany Sir Francis Oppenheimer to Berne to open negotiations with the Swiss government on the final text.⁴

1. Bertie-FO, 9 June 1915, telegram, FO 382-406-75055/15.

2. Report of Sir Francis Oppenheimer to the Foreign Office on the negotiations with the French Restrictions Committee, 11 June 1915, FO 382-406-77606/15.
cf. Bell, Blockade, p.307.

3. Bertie-FO, 14 June 1915, telegram, FO 382-406-77735/15.

4. SSS - RI, p.23.

In Switzerland news in the press of the earlier negotiations between Oppenheimer and Frey had caused much unrest. The Zürich papers particularly questioned whether Switzerland was abandoning her independence in order to maintain the economy of the land. In the Swiss parliament on 18 June 1915 Councillor of State Winiger put a question to the minister for foreign affairs about the organization and propriety of the trust which Hoffmann answered with great skill. The trust was being established, he stated, to provide their highly industrialized land with the materials necessary for continued productivity, and far from doing injury to Swiss independence, the trust, designed as a 'zuverlässige, vertrauenswürdige, ausschliesslich nationale Kontrolle', would preserve it by eliminating foreign influence in Swiss commerce and industry. Furthermore, far from prejudicing German and German-Swiss interests, the trust would terminate the present unequal distribution of goods between the major racial groups in the confederation.

Hoffmann's speech resulted in a general, though temporary, subsiding of criticism, though both the German and French speaking Swiss watched the progress of the Allied negotiations during the summer with jealous attention.

Oppenheimer and Crozier handed the new draft constitution of the trust and its by-laws to National Councillor Frey on 19 June. A few days later the Italian representative, Commander Antonio dell'Abbadessa,

arrived in Berne to enter the joint negotiations.¹ Discussions were carried out during most of the summer in a spirit of mutual suspicion which resulted in a long deadlock and threatened on several occasions a complete breakdown. The sources of the difficulty can conveniently be considered under four headings: Swiss insistence on the principle of exchange with the Central Empires, Allied alterations to the first draft in the matter of rationing, the attitude of Italy, and the reaction of the German government.

Exchanges. As a condition for delivering material to Switzerland, the German government had early insisted on a system of exchange or barter whereby German goods were exported only if specified Swiss goods were given in return. To regulate this traffic, the Swiss Political Department established a Bureau of Compensations under the direction of National Councillor Ernst Schmidheiny.² In their discussion of this question during the negotiations for the first draft of the trust scheme, Oppenheimer and Frey had agreed that only materials deriving from domestic industries could be used for compensation with Germany. As domestic trades they considered the production of chocolate, condensed milk and cheese, agricultural produce, watches, and various types of textiles.³ The German and

1. Grant Duff-FO, 29 June 1915, telegram, FO 382-406-86341/15.

2. SSS - RI, p.26.

3. Bell, Blockade, p.305.

Austrian ministers in Berne put severe pressure on the Federal Council to enlarge the list of compensatory articles, and they were aided in this by the Swiss General Staff who, it appears, preferred to bring Swiss industry within the orbit of the German economic system for reasons of military expediency.

In the course of the joint negotiations, Frey inferred that necessities of state were above any obligations to the trust organization, and now demanded that non-domestic goods be included among those allowed for exchange.¹ This was tantamount to demanding that the Allies supply German war needs through Swiss middlemen. Frey was, of course, merely following the wishes of the Federal Council in this matter, which they had made clear in May when they accepted the first draft of the trust scheme. As Oppenheimer's answer left no doubt as to the views of the Allies on this subject, Hoffmann declined to have exchanges discussed with the Allied delegates, and took the matter up with the Allied ministers in Berne.² By-passing the delegates by an appeal to the Allied governments accomplished little, since the delegates were their governments' chief advisors on Swiss trade in any case. This initial unfortunate exchange caused ill feelings on both sides, while the compensation problem remained unsolved until an acceptable compromise was at last devised.

1. Grant Duff-FO, 19 June 1915, telegram, FO-382-407-97737/15.

2. Bell, Blockade, pp.270-72.

Rationing. The French licensing committee (Commission de Dérégations), observing the vast increase in applications for export licenses during the Spring of 1915, concluded that any abnormal increase in a neutral's imports must indicate an increase in that neutral's exports to the enemy. Viewing the problem from the angle of gross import statistics, rather than of specific consignments to individual firms, they decided that its solution lay in rationing the neutral to its normal overall import. Since presumably the normal import would be entirely absorbed in the neutral market, exports to the enemy would cease.

The principle of rationing was accepted in an Anglo-French conference on economic warfare which met in Paris in early June 1915,¹ and was written into the revised draft of the by-laws of the Swiss trust organization. The Swiss government felt that the rationing clauses constituted a radical alteration in the nature of the trust, and that Swiss public opinion would not permit this curtailment of their commercial liberty.² They were, however, in no position to dictate policy to the Allies who dominated all the means of transportation to Switzerland. The Allied delegates were unyielding in their insistence, so the principle of rationing had reluctantly to be conceded. The ration was to be calculated on the average import less

1. Bell, Blockade, pp.270-72.

2. Carlin- FO, 1 July 1915, memoire, FO 382-406-87528/15.

normal exports to the Central Powers, and was to be delivered to Switzerland on a quarterly basis. The actual figures for the ration of individual commodities were to be established by a commission to sit for this purpose in Paris during the subsequent autumn.

Italy. The entry of Italy into the war against Austria-Hungary between the writing of the first draft by Oppenheimer and the beginning of joint negotiations had unexpected results.¹ After committing themselves to the Allied cause in the secret Treaty of London (26 April 1915), the Italians had hastened to secure their commercial interests by concluding an accord with the Swiss on 8 May. This agreement differs notably from other wartime understandings between Switzerland and the Allies in that, rather than rationing supplies to Switzerland, it actually guaranteed the delivery of a specified amount of Italian domestic produce and of articles in transit.² Italy pledged to provide agreed quantities of meats and fish, and the Swiss undertook to export cattle, cellulose, old iron,

1. Italy's joining the conflict had come as no surprise to the Swiss government. As early as January 1915 Hoffmann had enquired of the Italian minister in Berne about this possibility and its effect on Swiss supplies through Genoa. The answer, from Baron Sonnino, the foreign minister, assured Hoffmann that the royal government would view with the most friendly good will the supply of Switzerland through Genoa, and would interfere in this traffic only for pressing military needs 'in der abstrakten Hypothese eines Krieges'. Sonnino-Hoffmann, 26 January 1915, telegram, Pol.Dept. 2001 (k), Schachtel 17. Sonnino cautiously added, 'Es handelt sich natürlich um eine Hypothese deren Verwicklichung jetzt weder vorgesehen noch vorzusehen ist'.

2. SSS - RI, p.70.

and wood. Demands for further exports were to be entertained by the respective governments 'avec la plus grande bienveillance'.¹ Obviously with this background, a predisposition on the part of the Italian delegates to take a harsh line with the Swiss was not to be anticipated.

This became clear at the first meeting when dell'Abbadessa advocated the continuation of parcel post deliveries from Italy to Switzerland and insisted on silk being omitted from the prohibited list in deference to the national interest of Italy, just as tea had been omitted in deference to the English.² Silk had brought in 530 million lire in 1914, more than twice the revenue of Italy's second largest export,³ so not unnaturally the Italian delegate had been instructed to do nothing to prejudice its continued free export.⁴ The British and French delegates wanted silk consigned to the trust organization to prevent its being re-exported to Germany where it could be put to military use, but dell'Abbadessa remained adamant. The British minister suspected Swiss intrigue was responsible for the

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1. Text of the Swiss-Italian Agreement of 8 May 1915, EVD, KW 1914-1918 (Abkommen mit Italien), Schachteln 11 and 12.
 2. Grant Duff-FO, 24 June 1915, telegram, FO 382-406-83665/15.
 3. Bell, Blockade, p.97.
 4. Grant Duff-FO, 12 July 1915, telegram, FO 382-407-93818/15.

uncompromising attitude of the Italian government regarding silk, but he could offer no concrete proof.¹

The French government as well entertained suspicions about their new ally. The French ambassador in Rome had been informed that owing to treaty obligations transit trade with Switzerland could not be prohibited, but rumours were rife that contraband from Italy was passing by this means to Germany (with whom Italy was not then at war). Craigie's judgment was harsh. 'Italy is, in my humble opinion, the weakest link in the chain we have drawn round Germany and more dangerous, in many respects, than a neutral state over whose imports we exercise proper control.'² Edward Grey determined to 'revert to the ante-war procedure' of limiting Italian imports, if an assurance that no more contraband would reach Germany via Italy was not forthcoming from Rome.³ Surely it was a unique aberration in interallied relations to be forced to threaten a partner with blockade. Such suspicions continued, however, until Italy declared war on Germany in 1916.⁴

1. Grant Duff-FO, 17 July 1915, telegram, FO 382-407-96356/15.

2. Minute by Craigie on Bertie-FO, 29 August 1915, telegram, FO 382-407-12156/15.

3. Minute by E. Grey, ibid.

4. e.g., minutes on Johnstone-FO, 28 October 1915, telegram, FO 382-409'161085/15. Crowe writes: 'I am afraid it is only too probable that the Italians are acting in close understanding with our chief enemy'. Johnstone had reported that a Herr Hertz, president of the German Commission for Relief and War Provision, had concluded important contracts for oils and oil-seeds to be shipped from Italy to Germany.

Ultimately the Italian delegate came to agree with the general formula of the trust organization, but reserved the right to consider special cases like silk, wine, and fruit which became the subject of an understanding among the Allies during the autumn.¹ Italian demands during the negotiations in the summer had caused much delay, however, for they encouraged the Federal Council to play on these divergent interests of the Allies in hope of gaining further concessions for Switzerland.

As a poor nation with an unfavourable balance of trade, Italy's efforts to preserve her export trade can only be regarded as commendable, however frustrating they were to her allies, but on the other hand it would be unreasonable to expect Great Britain and France to turn a blind eye to Italy's abetting their enemy in the slaughter on the western front. The issue was clouded by interallied commercial rivalry since all three nations were striving to replace their lost markets by commercial penetration of neutral nations. Although the British were by no means uninterested, competition for the Swiss market was particularly keen between France and Italy who had similar goods to export.² In the final settlement, as we shall see, a certain leniency was shown to Italy in deference to her precarious

1. Bertie-FO, 10 September 1915, telegram, FO 382-408-129376/15.

2. Oppenheimer, op.cit., p.260.

economic situation. Hoffmann was wise to have attempted individual settlements with the Allies so as to play off one against the other, as the case of Italy shows, and it is fortunate from the Allied point of view that Oppenheimer took a strong stand against this proposal at the beginning of negotiations.¹ Even joint negotiations had their difficulties.

Germany. If Italy's position was bothersome, Germany's was menacing. The German legation exercised an arrogant, even brutal diplomacy which caused much distress among the officials of the Swiss foreign ministry, and gave them pause in accepting the Allied proposals. In the end the German attitude proved self-defeating, but meanwhile it brought severe pressure on the Swiss government to break off negotiations with the Allies.

As a result of a painful interview between Hoffmann and Baron Romberg in which the German minister threatened to have the coal supply cut off if the trust scheme was accepted, the Foreign Office instituted an enquiry into the feasibility of Great Britain's covering the Swiss requirement. Representatives of the Home Office, the Admiralty, the Board of Trade, and of several coal concerns, meeting in the Home Office on 28 July, were questioned by Owen O'Malley about the possibility of supplying British coal should the Germans make good their threat.

1. ibid., p.256.

It appeared that North Country coal was adequate for Swiss needs.¹ The normal Swiss imports of coal briquettes and coke was calculated at 3,800,000 tons per annum, but since her industry was not working at full capacity it appeared unlikely she would require more than 2,000,000 tons (6,000 tons a day). It was decided to offer 5,000 tons a day. The Director of Transports from the Admiralty gave his assurance that adequate ships would be found to transport this amount to Bordeaux and Genoa if sufficient rolling stock were available on the French and Italian railways to transport the coal to Switzerland.² The French reported that their rails were capable of supplying this amount of transport if the need should arise.³

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1. The Admiralty was in a position to buy it at 18/- a ton at the collieries. With insurance, and freight charges by ship and rail from Newcastle to Berne the total cost per ton was estimated:

via Bordeaux - 43/6

via Marseilles - 45/6

via Genoa - 45/6

According to Sir Francis Oppenheimer the average price of German coal in Berne was 33/6 a ton. The difference (reckoned at 10/6 a ton) could be subsidized by the Allied governments for approximately £525,000 per 1,000,000 tons.

2. Report by O. O'Malley on the committee meeting in the Home Office, 28 July 1915, FO 382-407-103764/15.
3. Bertie-FO, 14 September 1915, dispatch, FO 382-408-134846/15.

The communication of the results of these deliberations to the Swiss government created a distinctly favourable impression. In contrast, the Germans continued to exhibit unremitting severity. In July their new trade regulations were announced. To apply for an export license for goods from Germany (Ausfuhrbewilligung) the German authorities required of a Swiss importer not only submission of account books and inspection of workshops, but a vexatious guarantee in the form of a sum equal at least to the value of the goods applied for, and the payment of a tax for processing the application.¹

News of the German terms, and especially of the exaction of a bank deposit, was welcomed by the Contraband Department and by the Allied delegates in Berne, for they anticipated that the imposition of this 'unwisely stringent guarantee' could only make the Allied demands seem reasonable in comparison.² This appears to have been the case for the British minister noted in early August that a 'lively press campaign is proceeding and modifying public opinion in favour of the Allies'.³

These four aspects of the Swiss problem, the questions of exchanges and rationing, and the attitudes of Italy and Germany, delayed the acceptance of the Allied proposals for three months during

1. Grant Duff-FO, 30 July 1915, dispatch (containing application forms from the Treuhandstelle Zürich), FO 382-407-105928/15.

2. ibid., minutes.

3. Grant Duff-FO, 13 August 1915, telegram, FO 382-407-111614/15.

the summer of 1915. The final acceptance of the scheme by the Federal Council might have been hastened had they known the alternatives being prepared in case of rejection. In mid-July, when negotiations had entered their critical stage, there was considerable disenchantment in the Allied camp with Hoffmann, and tempers were frayed. The British minister was certain that the Germans were doing their best to frustrate the scheme at the eleventh hour, and felt the attitude of the minister for foreign affairs was 'devoid of all moral courage and can only be described as tricky'.¹ Sir Francis Oppenheimer noted that 'Mr. Hoffmann's sympathies with the Central Powers were an open secret'.² The delegates decided at this point that unless they received satisfactory counter-proposals from Hoffmann they would present their final wording to the Swiss government. The Swiss protested that they could not commit themselves without knowing exactly which goods were to be consigned to the trust, but the delegates, out of patience with even this seemingly reasonable objection, presented to Hoffmann their final redaction in a note verbale delivered through the Allied

1. Grant Duff-FO, 11 July 1915, telegram, FO 382-407-92989/15.

2. Oppenheimer, op.cit., p.253. Much retroactive obloquy was heaped on Hoffmann after his attempt to negotiate peace between Germany and Russia in 1917. His defenders regard him as a 'Kalter Spieler' who, regardless of his personal sympathies which favoured the Central Empires, succeeded (till the end) in getting the better of both sides.

ministers on 17 July.¹

G.P. Skipworth had meanwhile evolved a contingency plan in case the negotiations broke down. Basically the plan was to set up in Berne according to Swiss law a British firm which would regulate all trade from Great Britain and push British interests. Its staff of experts would enquire into the dealings of its customers who could buy or not according to their pleasure. Orders from suspect firms would be refused outright.² The Foreign Office knew that this plan, if worked in cooperation with the Empire and with France, would achieve the desired end of eliminating overseas exports to Germany. They were prepared, if other means failed, to accept the odium of establishing an alien 'ministry of blockade' on Swiss soil.

Fortunately this proved unnecessary. The stalemate in the trust negotiations was broken by mutual concessions in the matter of exchanges (which, it will be recalled, were being considered separately from these negotiations). A memorandum presented to the Foreign Office by the Swiss minister on 6 August on the question of exchanges provided an excuse for recalling the Allied delegates to discuss the situation, 'it being made clear at Berne that there is no question of the negotiations being broken off'.³ The Allied

1. SSS - RI. p.26.

2. Grant Duff-FO, 27 July 1915, dispatch, FO 382-407-104253/15. Naturally this plan could work only with implicit French co-operation. The French recognized British commercial predominance in Holland, and the British felt constrained to recognize theirs in Switzerland. Nevertheless, by reason of their powerful organization and vigorous prosecution of blockade policy, the British exercised considerable, if not preponderant, influence in Switzerland as well until the end of the war.

3. Carlin, FO, 6 August 1915, memorandum (and minutes), FO 382-407-108072/15.

delegates were accordingly recalled¹ while the French-Swiss press continued to urge on the Federal Council the acceptance of the proposed trust.²

The compromise was arrived at in the following way. Toward the end of July, Hoffmann had presented the French ambassador with a note verbale in which he gave a list of the goods needed from Germany and Austria-Hungary, and enumerated the articles from the Allies to be given in exchange.³ Merchandise imported from the Central Powers to Switzerland amounted to 21,875,000 francs a month. The value of coal imports, which the Allies appear to have thought was one of the articles to be given in exchange,⁴ but which was actually given unconditionally, was 8,750,000 francs a month. Sugar, lignite, potash, hematite ore, cellulose, etc., accounted for the rest.

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1. On 15 August a conference was held in London between the highest ranking officials of the British and French blockade authorities. The S.S.S. was approved in this meeting. Denys Cochin writes of this conference: *Après cette conférence de Londres on peut dire que les bases du blocus moderne étaient enfin trouvées. Toutes les mesures que les Alliés prirent postérieurement ne furent que le développement et l'intensification de ces principes: 1° suppression en fait de la distinction entre la contrebande absolue et la contrebande conditionnelle; 2° arrêt à distance de tout le commerce ennemi par mer; 3° surveillance par les neutres eux-mêmes des produits que les Alliés laissent parvenir dans leurs ports sur la base du 'contingentement'.*
 2. e.g., the editorial in the Journal de Genève, 17 August 1915: *'Espérons cependant que les négociations entamées à Berne depuis plusieurs semaines franchiront heureusement le point mort (sic=mort) où elles sont demeurées'.*
 3. Hoffmann-Beau, 20 July 1915, note verbale, FO 382-407-101675/15.
 4. 'Swiss and the Allies', The Times, 14 August 1915. Sir Francis Oppenheimer was the author of this article.

These imports were exchanged mostly for finished re-exports or for Swiss domestic products, but now the German authorities, probably as a test case,¹ demanded as compensation goods which could only be supplied directly by the Allies. They stipulated the exchange of rice, maize, vegetables, chestnuts, cotton, sulfur, jute, hemp, and gambier of a value of 3,521,000 francs a month.² The Allies refused.

This put Hoffmann in a difficult position, for he had just been notified by the German minister 'after a stormy interview' that if the Swiss yielded to the Allies as regards exchange, Germany would cut off the coal supply.³ The Allied ministers in Berne harboured no illusions about the strength of the Germans' economic position, and suggested a compromise to their governments.⁴

In the Foreign Office, Craigie thought the principle of exchanges might be conceded, provided that the amounts of rice, etc., were reduced to a level where they have no effect on the war.⁵ Oppenheimer too believed the time had come to relax their severity toward the Swiss application.⁶ Accordingly, a note verbale was presented to the

1. Minutes on Grant Duff-FO, 18 July 1915, FO 382-407-97025/15.
2. Carlin-FO, 6 August 1915, memorandum, FO 382-407-108072/15. The Swiss government had refused an offer of sugar from Italy and of hematite ore from Spain. They wanted rice to obtain these materials from Germany and Austria-Hungary. This was regarded in the Foreign Office as 'very suspicious'. cf. Oppenheimer, 'Swiss and the Allies', The Times, 14 August 1915.
3. Grant Duff-FO, 25 July 1915, telegram, FO 382-407-101164/15.
4. Grant Duff-FO, 4 August 1915, telegram, FO 382-407-106815/15.
5. ibid., Craigie's minute.
6. FO-Bertie, 28 August 1915, telegram, FO 382-407-121180/15.

Swiss government on 14 September, making slight concessions in the question of exchanges.¹ This broke the ice, and an agreement was swiftly arrived at. The Swiss withdrew their demand that rice be used for exchanges, and agreed that merchandise imported into Switzerland through the intermediary of the trust organization would not become the subject of exchanges with another country. For their part the Allies agreed to allow for exchange with the Central Powers 3848 waggons (35,000 tons) of miscellaneous Allied goods already purchased in Switzerland by German and Austrian agents and stored there for enemy accounts, and to give special consideration to the subject of exchanges outside the framework of the trust organization, if the Federal Council should request it in the future.

Reassured by the terms of the compromise that future exchanges would not be absolutely excluded even if the trust were accepted, the Federal Council finally abandoned its objection to the trust scheme. The decision to do so was influenced somewhat by the fact that the Federal Assembly was to convene on 20 September, and questions about the negotiations, if the Allied proposals were rejected out of hand, especially from the French-Swiss members might cause the government considerable embarrassment.² Besides, the features of the plan which had at first seemed most objectionable had been ironed out

1. Lord Acton (Chargé)-FO, 14 September 1915, dispatch, FO 382-408-134230/15.

2. Grant Duff-FO, 23 August 1915, telegram, FO 382-407-117894/15.

in the course of the negotiations. The Allies did not demand the presence of their own representatives on the trust board, but only that representatives 'auprès de la Société' be kept informed of its decisions.¹ They conceded, in the interest of the neutrality and independence of the Federal Council, that no guarantees should be exacted of that body for the operations of the trust. They argued convincingly that the requirement of monthly reports put no real restraint on the liberty of Swiss commerce in domestic goods. Most importantly they convinced the Federal Council of the reasonableness of a rationing procedure calculated on normal imports, which had at first been condemned as 'un changement radical de tout le système'.² The high-handed attitude of the German authorities, a growing popular support of the trust (prodded by Allied delays in delivery of Swiss imports), and the suspicion that an alternative plan would be even more exacting, all recommended the acceptance of the Allied scheme.

Its acceptance was indicated in a note verbale of the minister for foreign affairs delivered to the Allied ministers on 22 September 1915. This note made the following points. (1) The steps taken by the Allies in the economic war against the Central Powers are not in

1. These were the four commercial attachés of the Allied Legations in Berne.

2. Carlin-FO, 1 July 1915, memoire, FO 382-406-87528/15.

accord with the rights possessed by Switzerland as a neutral state according to international law. (2) Even though they recognized no justification in law for the restraints placed on the commercial freedom of Switzerland the federal government appreciated the present disposition of the Allied governments and have resolved to take into consideration the special circumstances of the situation. (3) In giving their approval to the scheme, however, the federal government were constrained to make the following reservations.

a) It is understood that the Allies will endeavour to secure for Switzerland the import of commodities not only on the list of goods to be consigned to the trust, but also on the free list.

b) It is further understood that in the negotiations which follow regarding the subject of subsequent exchanges, the Allied governments will be animated by a spirit of justice and generous good will.

c) Should the requirements of Swiss industry render necessary an extension of the trafic de perfectionnement, the Federal Council reserve to themselves the right to formulate demands on this subject.

d) In the formation of syndicates it must be borne in mind that some will be composed of persons of small means who will be unable to furnish financial securities to the extent of the Metal Syndicate.¹

1. Hoffmann-Grant Duff, 22 September 1915, note verbale, FO 382-408-139391/15.

The first two points were made, of course, for the sake of neutrality and to avoid establishing a precedent for foreign interference in Swiss economic matters. The third point was intended to provide a basis for subsequent negotiation should the agreement prove onerous to different commercial interests, and to lend a benevolent tone to future discussion of exchanges with the Central Powers.

In their formal reply the Allied governments expressed satisfaction with the note verbale of 22 September confirming the establishment of the trust and assured the federal government that all subsequent negotiations would be conducted in a spirit of 'large bienveillance'.¹ Further particulars were included in a confidential letter to Hoffmann signed by Beau, Grant Duff, and Paulucci de Calboli, the Italian minister in Berne. In return for facilitating transport for Swiss commerce, the Allies anticipated a strict compliance with the rules of the trust, especially with those concerned with the trafic de perfectionnement, and accepted the federal government's offer to hand to the Allied representatives each month a list of the exchanges effected with the Central Powers. A list of the stocks imported into Switzerland before 30 June 1915 (the 3848 waggon mentioned in the 'exchange compromise') was appended.²

1. Allied ministers in Berne-Pol.Dept., 4 October 1915, note verbale, FO 382-408-146620/15.

2. Allied ministers in Berne-Hoffmann, 4 October 1915, Confidential letter, ibid. Allied ministers in Berne-Hoffmann, 4 October 1915, note verbale regarding exchanges, ibid.

Two documents establish the purpose, function and organization of the trust, The Statutes of the Société Suisse de Surveillance Economique and its Bye-laws (Règlement intérieur). In the constitutional statutes, the purpose of the society (referred to as the S.S.S.) is described as representing and favouring national economic interests in face of wartime difficulties by a system of guaranteed supervision of Allied exports. The Federal Council placed a fund of 100,000 francs at the disposition of the society and approved the composition of its general assembly, all of whose members were to be Swiss nationals. The function of the general assembly was defined, as well as that of the committee (comité) elected by the general assembly to evolve organizational procedures and to supervise their execution. A director nominated by the general assembly would assume responsibility for the operation of the committee.

The first meeting of the general assembly of the S.S.S., summoned by Hoffmann in the Federal Palace on 11 October, was attended by thirteen of its fifteen members. In his introductory speech Hoffmann conceded that the Allies had shown themselves alive to the difficulties of Switzerland's economic position and were disposed to deal with them in a most accommodating fashion. He urged the assembly to take a similarly spacious view of Swiss needs and to do all they could within the framework of the S.S.S. to maintain Swiss industry at a high level of production and to meet the import requirements of Swiss commerce in an ample way. The bye-laws of the S.S.S., he cautioned, could not

be the subject of discussion. Since they had been agreed upon during the course of discussions with the Allied governments, they had the force of an international treaty.

Alfred Frey warned the assembly that in spite of all their good will they could expect within a short time to be the most maligned citizens of their country. Theirs was to be a thankless task. He appealed to their patriotism to see the work through to the end, and to make no concession to alien pressures without most carefully weighing the consequences.¹

The assembly then proceeded to elect the committee of the S.S.S. who would summon subsequent meetings and act as liaison between the trust and the Federal Council. As president they elected Johann Hirter, former president of the National Bank, then president of the Berne Chamber of Commerce. Councillor of State Chuard, chief of the Vaud Department of Commerce, was to be vice president, and the third member was National Councillor von Arx, president of the Council for the Administration of the Federal Railways. These gentlemen represented powerful financial, commercial, industrial, and agricultural interests, and as members of the Swiss parliament they presumably exercised some political influence as well.

Henri Grobet-Roussy was nominated Director of the S.S.S. His responsibility was the day-to-day management of the trust's activities

1. S.S.S. -RI, pp.47-49.

which included, of course, maintaining contact with the Allied governments through their representatives in Berne. The general secretary was Alfred Bonzan, vice chancellor of the Confederation, and Edouard Steinmetz became chief inspector.

The committee called for a constitutive meeting on 27 October 1915, and this date marks the official foundation of the S.S.S., although operations did not begin until 16 November.

A curious reversal by the British and the Swiss governments of their attitudes toward the nature of the trust organization had occurred during the ten months between its first suggestion and its final acceptance. In January 1915, the Foreign Office, recognizing the Federal Council's claim to non-involvement, had sought to form purely private agreements with Swiss commercial houses to control the flow of Swiss imports. Their aim had been to establish a trust along the lines of the N.O.T., and Sir Francis Oppenheimer was dispatched to Berne for that specific purpose. When private enterprise had failed to achieve a satisfactory settlement, the Federal Council instigated 'semi-official' discussions on the trust scheme, but only with reluctance, as a last resort. During the discussions carried on initially with Oppenheimer, and then during the summer with the Allied representatives, the Swiss government began to involve themselves in the planning and organization of the trust more deeply than the Foreign Office had originally dared hope.

The organization finally agreed upon was far different from what

either government had anticipated at the beginning. Although the S.S.S. was registered as a private firm, and regarded by its critics at most as a semi-official organization, these were but terms to drape the unmentionable reality with a cloak of respectability. To all intents and purposes the S.S.S. was a branch of the government operating under the guise of a citizens' trust. A comparison with the entirely private N.O.T. established in Holland will bring this out clearly.

The initiative for the N.O.T. came from an enterprising group of businessmen who raised capital for the organization on the Dutch financial market. Discussion for the S.S.S. was carried out under the aegis of the Federal Council, who provided the organization with its initial capital outlay (100,000 fr.). While the administration and operation of the N.O.T. were genuinely private, the names of the candidates for the general assembly of the S.S.S. were put forward by the Federal Council, to whom application had to be made to alter the society's statutes. Finally, while the N.O.T. supervised the import of both Allied and German goods, the S.S.S. dealt only with the Allies.

Foreign and domestic pressures forced this change of attitude toward the trust -- from non-involvement to official support -- on the Federal Council. The pressure exerted by both groups of belligerents has already been recounted. The manifest advantages of coming to terms with the Allies, and the simultaneous menacings of the Central Powers, drove the Swiss government to secure for the confederation whatever

advantage they could, even at the price of abdicating their traditional laissez-faire attitude toward commerce.

Domestically the jealous rivalry of the German and Welsch Swiss, which incidentally found reflection in the composition of the Federal Council itself, recommended the establishment of an impartial organization administered by impartial officials. Governing a country lacking the racial homogeneity of Holland, the Federal Council was forced to take the issue in hand to forestall the ascendancy of one group over the other. The attitude of the French government gave every indication that a private trust would be weighted heavily to the advantage of the French Swiss. An organization, the composition of whose assembly was subject to governmental review, regulated by a constitution and a set of bye-laws which might not be altered without reference to the Federal Council, would serve as a corrective to this tendency and, by protecting the interests of the German Swiss, would ensure equitable treatment for both major racial groups.

On the other hand, the S.S.S. did retain certain characteristics of a private enterprise, at least in its financial transactions (after the initial capitalization by the federal government), and in its day-to-day operations. There was therefore some justification for calling it semi-official for it stood halfway between the completely private N.O.T., and the completely official Treuhandstelle Zürich, set up to handle German imports into the Confederation. The

nature of this organization, established by the Political Department, and the negotiations with the German government, about which so little has been said, form the subject of the next chapter.

IVNORTHERN NEIGHBOUR: GERMANY

The outbreak of hostilities in August 1914 found Germany uninterested in and unprepared to wage an economic war. So firm was the Prussian General Staff's faith in the effectiveness of the Schlieffen Plan to gain the swift military victory over France which would bring the war to a successful conclusion within a matter of months that they regarded planning for a long and dreary economic war as a species of heresy. Even if Great Britain entered the conflict and foolishly refused to abandon the struggle after the fall of France, the General Staff anticipated only minor inconveniences from a blockade. The Central Empire would, after all, command the enormous resources of all Europe, and Great Britain would presumably be forced by economic necessity to withdraw the blockade long before European stockpiles were depleted.

As a precautionary measure, however, in August 1914 General Erich von Falkenhayn, then Prussian Minister of War, asked the director of the Allgemeine Elektrizitäts Gesellschaft, Walther Rathenau, to head a War Raw Materials Department (Kriegsrohstoffabteilung) attached to the Ministry of War. The function of this department was

to secure, even by requisition, and to distribute supplies essential to industry in a war economy.¹ Its policy with regard to the neutrals was to endeavour to maintain trade as resolutely as the British were trying to stop it. The organization within the War Raw Materials Department concerned with purchasing goods abroad, known as the Central Purchasing Agency (Zentraleinkaufsgesellschaft), dispatched agents to neutral lands to buy up useful domestic products and as many imports from overseas as the neutrals could spare. To derive maximum advantage to the war effort from Germany's constantly diminishing export potential and to prevent a dissipation of the Reichsmark's strength on purchases of luxury products, a system of compensations was developed by this organization by which German products would be exported only in return for specified consignments of goods of particular, usually military, value.²

Germany was in a good position to bargain for such articles in Switzerland, for that country depended in large measure for its economic stability on its northern neighbor. Germany had succeeded during the latter half of the Nineteenth Century in ousting France from her hitherto predominant position in the Swiss economy, becoming in the period immediately preceding the war Switzerland's most important supplier of goods as well as her best customer. This relation is

1. F.P.Chambers, The War Behind the War 1914-1918 (London, 1939), pp.146-147.

2. Bell,Blockade, pp.150-151.

shown clearly in the statistics for 1913 when Switzerland drew 33 percent of her total imports from Germany, and sent back 22 percent of her exports.¹ Germany was not, of course, similarly dependent on Switzerland, for in the same year her trade with the confederation represented only 2 percent of her own total imports and 5 percent of her exports. Theoretically it was possible, without serious harm to her own economy, for Germany to break off at any time all commercial relations with Switzerland, thereby reducing the latter country to economic ruin. In practice, however, the prospect of obtaining scarce commodities from and through Switzerland by means of barter, the need to maintain the stability of the Reichsmark under the strain of an unfavourable balance of trade, and the opportunity, especially when victory seemed within the grasp of the Central Powers in the Spring of 1918, of bringing Switzerland even further under her economic domination, induced Germany to maintain Swiss trade as far as possible at a high level, rather than risk the political and military consequences of abandoning Switzerland to Allied economic control.

German exports were indispensable for the Swiss machine industry. She filled 70 percent of Swiss iron and steel requirements (470,000 tons in 1913) and about half her copper needs either from

1. Rufener, op.cit. pp.52,58. This represented for Switzerland a trade deficit of 325,000,000 francs.

German mines or, because the Swiss found it convenient to use the services of German middlemen rather than deal directly with American smelting firms, in transshipment from the United States.¹ Germany dominated the coal market to an even greater degree than the metal market. This was due to the policy of the Coal Syndicate of Rhineland-Westphalia to offer better quality coal to Switzerland at lower prices than they asked even in Germany, in order systematically to eliminate French and Belgian competitors.² Switzerland needed about 10,000 tons of coal a day (3,235,000 tons in 1913), of which Germany supplied about 90 percent before the war (2,844,900 tons in 1913).³ After the occupation of Belgium and the provinces of northeast France in August and September 1914, Germany's domination was complete: for practical purposes she was the sole supplier of coal to the confederation.

Switzerland also depended on Germany for machines, precision instruments, half-finished manufactures, pharmaceuticals, zinc, dyes, fertilizers, sugar, and potatoes. In return for these goods she exported condensed milk, chocolate, cheeses, cotton and silks, watches, various luxury products, and machinery.⁴ In broad terms then,

1. T. Geering, Handel und Industrie der Schweiz unter dem Einfluss des Weltkriegs (Basel, 1928), pp. 135, 143.

2. Pfenninger, op.cit. p. 37.

3. Geering, op.cit., pp. 91, 93.

4. Pfenninger, op.cit., pp. 45-46.

Switzerland depended on the Central Powers for her industrial raw materials, and on the Allies and neutrals for her food.

Following the declaration of war, the German government issued on 31 July 1914 the usual prohibitions on export of goods needed for the nation's own use. Export traffic was temporarily disrupted by massive troop movements on the railways during the first weeks of the war, but by 24 August the line to Switzerland on the right (east) bank of the Rhine was again in operation.¹ Coal and raw material deliveries from Germany fell off slightly in 1914 due to transport difficulties, but Swiss stockpiles were sufficient to sustain the loss and production was not affected. Indeed certain Swiss industries such as chemicals, shoes, and tool manufactures enjoyed a remarkable boom because of the elimination of Allied competition in the German market. Agents of the Central Purchasing Agency were active in Switzerland during this period, buying up at high prices cotton, wool, and copper to cover actual or potential shortages in the Reich.²

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1. The railway through Alsace was closed until 29 March 1915 because of military operations in the area. Rhine River traffic was declared open immediately, but the river fleet did not go into operation until April 1916. Pfenninger, op.cit., pp.22-23.
 2. Grant Duff-FO, 21 November 1914, dispatch, FO 368-1132-76106/14.

Since copper was especially desirable for its military uses, the available supplies in Switzerland, which had not been great to begin with, were soon depleted by German purchases. Large Swiss orders placed overseas in the autumn of 1914 to replenish these stocks aroused, as we have seen, the suspicions of the Allied naval authorities at Gibraltar, who detained a number of ships making for Genoa laden with copper for Swiss importers. It was primarily to obtain a share of this copper that Germany and Austria-Hungary had inaugurated their exchange system, under which for specified quantities of their own exports they expected to receive a stipulated amount of that metal. By means of compensation demands, severe pressure was exerted on the Swiss government to obtain concessions from the Allied (in practice, British) governments for large shipments of copper, but the British, of course, refused to be coerced into supplying their enemy with this valuable metal.

In the autumn of 1914 the Austrian government demanded 100 waggons of Austrian malt, and the German government set down similar conditions in return for their allowing the export of oil and manufactures in the half-finished and finished state. By this time, with copper imports impossible to obtain, Switzerland herself was suffering from a shortage of the metal. Federal Councillor Edmund Schulthess, head of the Handels-, Industrie-, und Landwirtschafts- departement,¹ informed the Austrian and German governments that

1. On 1 January 1915 the name of this department was changed to the Eidgenössisches Volkswirtschaftsdepartement (abbreviated EVD), the Department of Public Economy. Schulthess remained its head.

licenses for the export of copper could no longer be considered. He offered, however, other commodities in place of copper, which, after several discussions with the Austrian (Baron Maximilian von Gagern) and the German (Baron Gisbert von Romberg) Ministers, were accepted by the export licensing commissions in those countries.¹ Thereafter the nice art of barter evolved rapidly into a science with its own rules and measures until, by the spring of 1915, an elaborate system of exchange values and counter-values had been established and agreed upon by the three nations.²

To give a unified direction to the exchange system the Swiss Political Department established on 14 March 1915 a controlling organization known as the Compensation Bureau under the leadership of National Councillor Ernst Schmidheiny.³

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1. Schulthess-von Gagern, 27 December 1914, note, Pol.Dept. 2001 (k), Schachtel 92. Schulthess-von Romberg, 3 December 1914, note, Pol.Dept. 2001 (k), Schachtel 92. Raw cotton and wool were also mentioned as possible future exchanges.
 2. EVD-von Gagern, 16 April 1915, letter, Pol.Dept.2001 (k), Schachtel 92.

Sugar for example, which Austria-Hungary was able and willing to supply in large quantities, would be delivered against many compensatory goods according to a neat formula:

1 waggon rice (10,000 kg.)	= 3 waggons sugar
1 waggon cheese	= 6 1/4 waggons sugar
1 waggon old copper	= 10 waggons sugar
1 waggon aluminium	= 15 waggons sugar, etc.

3. Memorandum by O. O'Malley, 17 May 1915, FO 382-426-61142/15.

Fortunately for the Swiss economy, the German government had decided to allow the export of coal and of many types of iron without requiring the import of Swiss goods in exchange, although these two items comprised the largest single imports of the confederation. At the beginning of the war the Germans had too much coal and iron, and so were anxious to maintain their exports to old customers and, if possible, even to increase it in order to replace their lost markets in the now belligerent nations. Coal was particularly abundant and the surplus was swollen even further by deliveries from the Belgian and French mines in the occupied provinces which became operational (under new management) during the winter 1914-15. Coal and iron were therefore delivered to Switzerland amply, regularly, and without compensation for the first two years of the war.

Although the German government's policy was to encourage both export and import trade with the limitrophe neutrals, they were naturally unwilling to see German exports aid the Allied war effort. Some time elapsed before measures were adopted effectively to end the transshipment of German products through Switzerland to the Entente powers, but by the spring of 1915 the German Export License Bureau began to deny requests by Swiss concerns for certain exports of raw materials and manufactures, and for the use of finishing trade facilities in Germany until the Swiss government undertook to prohibit the re-export to the Allies of certain classes of goods of military value. The German government was kept advised of the direction and

extent of this traffic by the Military Commerce Division (militärische Handelsabteilung) attached in 1915 to the office of the commercial representative at the German Legation in Berne.¹

The German officers in this division, under the leadership of a Captain Schmitz, were diligent if not scrupulous in applying norms of what constituted military goods. Their rigour caused a committee of Swiss machine manufacturers to journey to Berlin in April 1915 to plead with the German government authorities for less harsh treatment and to have the inspection and control of their activities placed in Swiss hands.² The committee met with little success.

Consequently, during May 1915 National Councillor E. Schmidheiny, the newly appointed director of the Compensation Bureau, was dispatched to Berlin by the Political Department to work out details of further exchanges, and also to secure the delivery from Germany of goods of potential military value, the re-export of which had in fact been prohibited by the Swiss government. In these discussions the German officials showed themselves as little satisfied with the Swiss export prohibitions as the Allies had been, and demanded that individual firms furnish specific guarantees against the re-export of German goods (raw materials, half-finished, and finished manufactures).

1. Pfenninger, op.cit., p.27.

2. Grant Duff-FO, 15 April 1915, telegram, FO 382-406-44666/15.

As a basis for further negotiation, it was decided in the course of these discussions to make a fundamental distinction between medical supplies and manufactures, both of which could be considered 'of military value'. Schmidheiny felt the Swiss government would be prepared to receive in their own name and grant no licenses for re-export to the Entente of medical goods (medicaments, surgical instruments, and the like) received from Germany. With regard to industrial products, Schmidheiny suggested that Germany join the S.S.S. organization which was being negotiated in Berne just at that time by Sir Francis Oppenheimer and Alfred Frey, and which would ultimately guarantee proper disposal of German exports. Both Germany and the Allies had been consigning their goods to the N.O.T. in Holland since the previous November, to their apparent mutual convenience and satisfaction. Although this suggestion was favourably received in the various ministries in Berlin, it was finally rejected by Privy Councillor Johannes, director of the commercial section of the Auswärtiges Amt, on the grounds that it was 'unsympatish' to place German goods under the control of an organization of English origin.¹ (The N.O.T., it will be recalled, was entirely the creation of Dutch businessmen.)

Rather than receive imports from Germany through the

1. Auszug aus dem Protokoll der Verhandlung mit der deutschen Regierung vom 26. Mai 1915. Pol.Dept.2001 (k), Schachtel 92.

instrumentality of a general trust like the S.S.S., Swiss firms were to continue to apply on an individual basis for export licenses from the German government. Although the licenses were to be issued by the German government, this was to be done through the agency of a Swiss trust officer (Vertrauensmann or Treuhänder) who, after satisfying himself of the good faith of the applicant, would send the application on to Berlin, and when it was approved, issue the license to the Swiss importer. On his return to Berne, Schmidheiny was to negotiate further with the proper officials of the German Legation there regarding the details of the scheme and the choice of the Trust Officer.

The proposed organization for the import of medical supplies (Schweizerisches Gesundheitsamt) was immediately established at Berne under the control of the Department of Public Economy. The import of industrial products, especially chemicals, machines, and half-finished articles, was placed under the control of the Political Department. A Swiss Trust Officer would distribute German export licenses after he had consulted with his technical advisors, a group of Swiss officers sympathetic to the German cause, to ascertain the good faith of the applicant. Councillor of State Dr. Usteri was entrusted with the office of Treuhänder, and his bureau, established in Zürich as a division of the Political Department, was known as the Schweizerisches Politisches Departement, Treuhandstelle Zürich für die Einfuhr deutscher Waren in die Schweiz.¹

1. Auszug aus dem Protokoll der Sitzung des schw. Bundesrates, 'Kontrollmassnahmen für den deutschen Warenimport', 12 June 1915. Pol. Dept. 2001 (k), Schachtel 92.

In subsequent correspondence between Federal Councillor Hoffmann and Dr. Usteri, the specific functions of the Treuhandstelle were decided upon. The importer had to provide a bank guarantee, and allow inspectors to visit factory working areas and warehouses to see if the conditions of import were being fulfilled.¹ Dr. Usteri had the power to decide who would receive export licenses from the German Legation, and under what conditions. The purpose of setting down these conditions was fundamentally to prevent the export of war material to the Allies in so far as it was produced from German raw materials. The general rule was that goods imported into Switzerland from Germany should remain there. The interpretation of this rule was at the beginning very broad for although no German raw materials obtained through the agency of the Treuhandstelle could be directly re-exported, articles manufactured from these materials could be sent to the Entente nations provided they were not unequivocal war goods, i.e., weapons or shells. In effect, raw materials worked up into a reasonably peaceable manufacture, or at least not into an overt instrument of war, shed their prohibition of export and could be re-exported to the Allies. Thus articles of semi-military value, such as lorry wheels, were regarded as legitimate exports even if they were certainly destined for military vehicles. It was only in 1917 that the German government demanded that peace goods made with German

1. Grant Duff-FO, 30 July 1915, dispatch, FO 382-407-105928/15. This dispatch contains a copy of the application for a German export license, with the conditions of guarantee.

raw, half-finished, or finished materials no longer be shipped to the Allies without the express allowance in each case of the militärische Handelsabteilung of the German Legation.¹

The Treuhandstelle was organized only to issue German export permits. It did not deal with the import of medical supplies, coal, iron, or steel, nor did it concern itself with the surveillance of Swiss exports or of goods in transit. Consequently its function and powers were considerably narrower than those of the S.S.S. functioned as the unique consignee for all Allied 'prohibited exports', as an agency for distributing these goods according to a set ration, and as the overseer of Swiss exports to the Central Powers. Since the Treuhandstelle was in no sense an instrument of blockade, however, none of these three functions found a parallel in its operations. The relative simplicity of its purpose and organization allowed the Treuhandstelle to begin its operations almost immediately. On 15 August 1915 Austria-Hungary entered the scheme by empowering this organization to issue export licenses for Austrian goods too.²

In contrast to the notoriety given to the negotiations establishing the S.S.S., the Treuhandstelle was set up in great secrecy. In a conversation with Sir Francis Oppenheimer about Swiss

1. Pfenninger, op.cit., p.33.

2. M.Cornaz, Zum Problem der Wirtschaftsneutralität (Die Handelsverträge der Schweiz im ersten Weltkrieg) (Zürich, 1952), p.21.

commerce with Germany on 17 June 1915, Schmidheiny made reference to the consignment of medical supplies to the Gesundheitsamt but appears not to have alluded to the general export license bureau set up in Zürich.¹ At a meeting on 23 July with the French, British, and Italian representatives negotiating the S.S.S., Hoffmann referred to the Treuhandstelle 'in the most casual manner'. When questioned sharply on this point by the British minister in Berne, Hoffmann replied that sufficient public notice had been given to the Allies in his reply to a question put by Councillor of State Winiger in the Swiss parliament on 18 June. The only reference to this matter which could be found in that very long speech was:

Wir sind mit unserem nördlichen Nachbar in
Hinsicht auf die Sicherstellung der loyalen
Einhaltung der an die Einfuhr in die Schweiz
geknüpften Verpflichtungen zu einer befriedig-
enden Lösung gelangt. ²

Grant Duff rejected with some heat the claim that this constituted sufficient notice and demanded 'a written confession from Mr. Hoffmann that he did not mention the arrangement to me till late in July'.³ This manner of exposure did little to reassure the Foreign Office of the forthrightness of the Swiss government in general and of Hoffmann in particular.⁴

1. Memorandum by Sir Francis Oppenheimer, 22 June 1915, FO 382-425-81963/15.

2. Reply of Hoffmann to a question by Ständerat Winiger, 18 June 1915, stenographic report.

3. Grant Duff-FO, 31 August 1915, dispatch, FO 382-408-122995/15.

4. Minute by Craigie, ibid.

For the first two years of war, commerce between Switzerland and Germany proceeded as normally as could be expected under the circumstances. Control measures exercised by the Germans were light and were accepted, or at least tolerated, by the Swiss as one of the bothers of war, while the Germans for their part appeared satisfied with the receipt of such products as they could obtain in Switzerland. In the spring of 1916, however, the effectiveness of Allied blockade measures began to make itself felt in Switzerland, and was reflected in a sharp decrease in the export of compensatory goods to Germany. As Swiss trade with Germany was mutually profitable, their governments were united in their desire to maintain the flow of goods between these nations.

After an initial rebuff in April 1916 by the Allies to a Swiss proposal to allow further products to be used in barter with the Central Powers, the Germans began to exercise severe economic coercion on the confederation to induce them to press the case with the Allies for further exchange privileges. The chief weapon in German hands for this manoeuvre was their export of iron and coal on which the Swiss had become entirely dependent for their economic stability. The German government expected by threatening to cut off these exports that the Allied blockade authorities would, however reluctantly, accede to the Swiss demands. Their expectations were blighted. In the face of unyielding determination on the part of the Allies, the German and the Swiss governments were compelled to reconsider

their general commercial relations and, after several weeks of negotiation, signed for the first time during the war a comprehensive economic agreement regulating their mutual trade. They were forced to this expedient only after every effort to draw supplies through the blockade ring had failed.

Because of the surplus, as has been noted, iron and coal were never used by the Germans as an instrument of barter, but were delivered without demand for compensation. This arrangement was confirmed on 26 May 1915 by an agreement between Switzerland, Germany, and Austria-Hungary, in which the three nations pledged themselves to grant export licenses without compensatory demands for 'spare' (entbehrlich) goods.¹ The German government considered iron and coal 'spare', so export licenses were freely granted, and these materials fell outside the control of the Treuhandstelle. This does not mean, however, that no control was exercised over the destiny of these exports.

The responsibility for the proper use of iron fell in the first instance on German iron exporters. They set down conditions under which their iron could be used, and to which Swiss importers must subscribe if they wished to continue to receive deliveries. In the face of an increased Swiss demand for iron to fill large foreign contracts, which coincided, incidentally, with a decreased

1. Pfenninger, op.cit., p.34.

German capacity to supply the metal which was being consumed by the military at a rate unimaginable before the war, the War Raw Materials Department of the Prussian Ministry of War had eventually to intervene. A series of fundamental principles (grundsätzliche Richtlinien) for the use of German raw materials was published, which the officials of the German Legation in Berne had the most important firms in the Swiss metal industry sign as a guarantee that the principles would be observed.¹ Likewise smaller manufacturing firms had to observe similar conditions (Bestimmungen über die Einfuhr deutscher Waren in die Schweiz) for the use of German metals which ensured that no war material found its way to the Allies. These conditions were gradually made more stringent until in the summer of 1916 they were extended to cover metals which merely passed in transit through Germany (from, e.g., Sweden to Switzerland). Finally on 11 July 1916 the Military Commerce Division of the German Legation issued a circular demanding that all Swiss users of German iron sign a pledge to have no further dealings with Swiss industrial firms on the German black list.

This was going too far. Swiss metal users, regarding this condition as a meddling in their private affairs and an inducement to break faith with their fellow countrymen with whom, after all, they

1. Among these firms were Brown, Boveri, and Co., Oerlikon, Sulzer, Georg Fischer Elektrostahlwerke, Aubert Grenier, Escher, Wyss and Co., etc. Grant Duff-FO, 24 December 1915, dispatch (from Skipworth), FO 382-429-202073/15.

did most of their business, found this condition entirely unacceptable. A group of iron importers and the Association of Swiss Machine Manufacturers attempted to reason with the German officials, but these efforts not only met with failure but elicited more exacting demands. The German officials for their part felt justified in their unbending attitude since they had information that the black listed firms were supplying the Allies with valuable war goods. Finally representatives of the associations of metal importers, machine manufacturers, and iron firms, meeting on 1 August 1916 under the chairmanship of an official of the Political Department, decided to put further negotiations on the official diplomatic plane. But the result of the Political Department's overtures to the German government was equally unfortunate: the Germans answered with a general reduction in the export of metal, which amounted almost to an embargo.¹ The deadlock was broken only in the comprehensive commercial agreement of 2 September 1916.

With regard to coal deliveries, no real difficulties were experienced until the autumn of 1915. In the Spring of that year the German government had formed in Essen a Coal Export Authority (Kohlenausfuhrstelle West) to supply coal to Switzerland, Holland, Italy, and occupied France at the level of their normal consumption.

1. For the question of the metal users' dealings with the German government, cf. Pfenninger, op.cit., pp.33-37.

The purpose of this organization was not to ration, but to fill neutral requirements as far as possible.¹

In October 1915 the British minister in Berne reported that the Coal Export Authority had placed an embargo on coal to Swiss firms manufacturing munitions for the Entente.² Since the Allies were at this time receiving 5/6 of the total munition output of Switzerland, against 1/6 delivered to the Central Powers, and were anxious to maintain this proportion to prevent the extension of German orders,³ the Foreign Office had Grant Duff present Hoffmann with an indignant note⁴ in which it was pointed out that during the negotiations for the S.S.S. no compensations for coal were provided since the supply from Germany was presumably assured. The S.S.S. was intended to serve all Swiss firms and was not based on the premise that certain firms would be able without reference to the Swiss government to make and execute private contracts with the German government. It was with surprise and disappointment that His Majesty's government heard of coal embargoes for certain firms, and wondered if the Swiss government were prepared to tolerate this treatment at the hands of the German government, and

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1. Imperial German Legation Berne-Political Department, 9 March 1915, note, Pol.Dept. 2001 (k), Schachtel 9.
 2. Grant Duff-FO, 20 October 1915, telegram, FO 382-428-153839/15. cf. also the 'confidential report of M. Piaton' (French Military Attaché, Berne), 29 October 1915, FO 382-428-153839/15.
 3. Grant Duff-FO, 17 June 1915, telegram, and FO-Grant Duff, 30 July 1915, telegram, FO 382-426-79618/15.
 4. FO-Grant Duff, 23 October 1915, telegram, FO 382-428-153839/15.

ventured to enquire what steps they would take.

In his reply Hoffmann claimed that the report of the embargo was much exaggerated, as coal had not been refused to Basle chemical factories furnishing aniline dyes to Great Britain,¹ though it was true that a whole group of arms manufacturers was threatened with a refusal of coal if they continued to work for the Allies. These manufacturers, however, required relatively little coal and were besides abundantly supplied for a very long time ahead, so there was no need for immediate concern. Customs returns for September, October, and November 1915 showed that coal was proceeding into Switzerland in an absolutely normal manner and the German government had not officially informed the Swiss government of any prohibition. It was absolutely false that the Germans had demanded compensation for coal, and were unlikely to do so.²

Nevertheless, the Foreign Office felt it wise to re-open the enquiry instituted during the negotiations for the S.S.S. in July 1915 about the possibility of providing coal, at least for firms working for the Allies, in the event of a German coal embargo.³ The wisdom of these

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1. It was suspected that the embargo was established merely to eliminate competition with German chemical firms. Pfenniger, op.cit., p.39.
 2. Hoffmann-Grant Duff, 9 December 1915, note, FO 382-429-187959/15.
 3. The problem lay not with the supply of coal available at British collieries, but with transporting it to Switzerland. Admiralty-FO, 11 December 1915, letter, FO 382-429-189878/15.

preparations was soon confirmed when the German Legation in Berne at last announced that firms supplying military goods to the Allies would receive no more coal from Germany.¹ G.A. Skipworth, the assistant commercial attaché in Berne, reported that 53 Swiss firms had been placed on the German black list and stringent measures were being taken against them.² These measures proved relatively ineffective however, in so far as the boycotted firms were able to obtain the necessary coal from the stocks of other Swiss firms which were able to import freely from Germany.

When these procedures were brought to their attention, the German authorities concluded that the establishment of a responsible coal distributing organization in Switzerland could no longer be put off if the measures against the black-listed firms were to have any meaning. The formation of the desired authority was left to the Federal Council, who after consultation with Dr. Usteri of the Treuhandstelle and Johann Hirter of the S.S.S., arranged for the establishment by the largest consumers (municipal authorities, gas works, industrial concerns, etc.) of a private Swiss coal import company which was entered in the Commercial Register of Basle on

1. Grant Duff-FO, ¹⁷24 December 1915, dispatch, FO 382-410-193514/15.

2. Grant Duff-FO, 24 December 1915, dispatch, FO 382-429-202073/15.

4 January 1916 as the 'Zentralstelle für die Kohlenversorgung der Schweiz'.¹ With the consent of the Department of Public Economy, this organization began its operation on 1 February 1916 as the sole distributor of coal from Germany and Belgium. All re-export was forbidden and use in the production of war material for Germany's enemies was put under heavy penalty. Passing coal to a blacklisted firm was considered a breach of contract and was likewise subject to heavy fine.²

Ironically, the establishment of his organization was followed by a falling off in the quantity as well as in the quality of coal imports, due mainly to labour and transport difficulties in Germany. Swiss stocks consequently diminished and by August 1916 the Zentralstelle had to suspend all deliveries to industrial firms with a four month supply in order to help their weaker colleagues. To secure the delivery of at least a minimal coal supply was a further inducement for the Swiss government to enter into the comprehensive economic agreement with Germany on 2 September 1916.

The difficulties, delays, and inconveniences of the iron and coal supply were but skirmishes in the diplomatic battle over exchange goods joined in the Spring of 1916 by the German, Swiss, and Allied governments. It will be recalled that Switzerland was

1. Pfenninger, op.cit., p.39.

2. Geering, op.cit., p.95.

permitted, under the terms of the S.S.S. agreement, to exchange only her domestic products for German and Austrian goods, though as a special concession she had also been allowed (4 October 1915) to barter some 4000 waggons of material imported from the Allies and already purchased by the Central Powers before the establishment of Allied controls. During 1916 no less than 300 million francs worth of goods imported from the Allies was re-exported to Germany,¹ and most of the 4000 waggons had been delivered by April 1916. The Federal Council, watching with apprehension the supply of exchangeable goods melting away, and seeing no replacements with which to obtain further necessities from the Central Powers, envisaged economic paralysis creeping over the confederation.

Accordingly, on 3 April 1916 Hoffmann summoned the Allied ministers to the Federal Palace in Berne to present them with a note verbale in which he recalled that the Allied note of 4 October 1915 had given the Federal Council authority to use as compensation the large stocks of goods in Switzerland owned by the Central Powers, but noted that the stocks had been nearly depleted. Reassured by the Allied intention expressed in the note of 4 October to interpret

1. E. Fueter, Die Schweiz seit 1848 (Zürich, 1928), p.261. At this time many types of goods could still be imported without consignment to the S.S.S., and there were besides considerable stocks of goods imported into Switzerland before the S.S.S. came into operation. These could be legally purchased by agents of the Einkaufsgesellschaft. cf. Commission permanente internationale de contingents (C.P.I.C) report 220, 30 March 1916, FO 382-1068-67110/16.

the regulations of the S.S.S. in a spirit of large bienveillance and the allowance for further negotiation in this matter provided for in the confidential letter of the same day, the Federal Council was encouraged to request the Allies to allow additional goods for exchange. A list of Switzerland's requirements from Germany and Austria-Hungary, was appended,¹ and the Allies were requested either to designate what types of goods they would permit to pass through the intermediary of the S.S.S. to the Central Powers to obtain these requirements, or to consent to forwarding to Germany and Austria-Hungary stocks of goods amassed by the representatives of their central purchasing agencies since the opening of the S.S.S.²

A long minute by Owen O'Malley of the Swiss section of the Contraband Department summed up the attitude of the British blockade authorities to this request. The written undertakings admitted a wide range of interpretations, he thought; at the lowest, absolute

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1. From Germany: iron and steel, machines, zinc, nickel, aniline dyes, pharmaceuticals, chemicals, potatoes, etc. From Austria-Hungary: wood, cellulose, aluminium sulfate, manganese, potassium, graphite, steel, sugar, etc. The Swiss wished also to obtain war material for its own forces: eleven Krupp 12 cm. howitzers, ordered before the war and not yet delivered, shells, optical equipment, etc. to a value of 10 million francs, from Germany. She also hoped to obtain 100 remounts from Austria. Grant Duff-FO, 4 April 1916, FO 371-2766A-35882/16.
 2. Hoffmann-Grant Duff, 3 April 1916, note verbale, FO 382-1061-67073/16.

refusal, and at the highest, acceding to the request. If the latter, the Allies should demand complete statistics of the exchanges (customs statistics were not published in Switzerland in 1915-16) and absolute proof that the goods in question were obtainable nowhere else than in Germany. Apart from setting a precedent which might haunt the future and encourage the Germans to demand similar privileges from other neutrals, allowing the exchange would in itself be highly advantageous to Germany.

Germany would gain in two ways for she would obtain the goods she needed and would be able to sell her own products to the value of 65 million francs. It was to her advantage to export these goods to Switzerland to obtain hard francs regardless of whether she also received goods in return. 'It is therefore not improbable that if we make it absolutely clear to the Swiss (and through them to the Germans) that we are going to refuse, Germany will in the end allow the goods to be exported to Switzerland all the same'. Besides, the principal article Switzerland wanted was metal, and their not obtaining it would cause distress particularly to the German-Swiss who would be more likely to blame the Germans than the Allies for withholding this raw material.¹

While deliberations on how to handle the Swiss request dragged on in and among the blockade departments in London and Paris, the final

1. Minute by O. O'Malley on FO 382-1072-76543/16.

exchange goods were being exported from Switzerland. The Political Department attempted on several occasions to hasten the Allied decision through its ministers in the Allied capitals, but was informed that the request had raised 'questions of considerable magnitude' which the Allies must consider at length and conjointly.¹

A special sub-committee of the War Trade Advisory Committee was called together to decide what line the British should take in a general Allied conference on blockade measures to be held in Paris during June. This sub-committee recommended that (a) no compensation should be allowed for goods of which Germany had the practical monopoly of production, (in practice, iron and coal) because granting this concession would expose the Allies to an unanswerable request for equal treatment from the other neutrals, (b) Switzerland should obtain from the Central Powers only what was required to keep Swiss industry at a pre-war level of production, (c) Switzerland should be forced to buy elsewhere, even at higher cost, if the goods are obtainable, and (d) no raw materials for munitions should be allowed to Germany.²

Robert Craigie was accordingly dispatched to Paris with

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1. Hoffmann-Grant Duff, 11 May 1916, note, and FO-Grant Duff, 20 May 1916, telegram, FO 382-1072-93757/16. Also, Carlin-FO, 12 June 1916, aide memoire, FO 382-1072-113925/16.
 2. Report of the Sub-Committee of the War Trade Advisory Committee on 'Swiss Exchanges with the Enemy', 25 May 1916, FO 382-1072-100877/16.

instructions reflecting these suggestions of the sub-committee, but he found the Parisian blockade authorities far less amenable to the Swiss proposals than their British colleagues. The French professed to regard S.S.S. control of consignable goods as practically non-existent and were in no mood to accord any concession to the Swiss.

Meanwhile, Romberg presented the Swiss Federal Council with a note, dated 8 June 1916, of a very threatening nature. This note demanded that the Swiss export food to help feed German workers producing goods for Switzerland, and made it clear that deliveries of German exports would depend in future on the amount of imports they received from the neutrals. Switzerland was 16.5 million francs in arrears in delivering compensatory goods, and if the German owned stocks in Switzerland were not released to cover this 'credit', all German exports would cease within 14 days.¹

The substance of this harsh note was communicated simultaneously to the Allied ministers in Berne by the head of the Political Department, and to the allied blockade officials in Paris by Grobet-Roussy, the director of the S.S.S., who was there to plead for additional exchange material. The note was greeted with surprising sang froid in the allied camp. O'Malley thought the Germans would lose more than they would gain by carrying out their threat, since they would cut themselves off from a valuable source of aluminium, ferro-silicon,

1. NB IV (9 September 1916), p. 10

calcium carbide, electrical machinery, and agricultural products.

Besides, he wrote, 'it is not out of the question that Switzerland may have allowed Germany to deliver the note to force our hands'. There should be no question of acceding 'to this summary and unjustifiable demand'.¹

The British minister in Berne reported 'there is no doubt as to its menacing tone but the coolness with which the Swiss Minister for Foreign Affairs discussed the matter with my colleagues and myself gave us the impression that the note was deliberately arranged between the Federal Council and the German government'. He could not judge whether this was an exercise of German power, or merely a bluff prearranged by Edmund Schulthess, the head of the Department of Public Economy, but felt Switzerland might be forced to throw in her lot with the Central Powers, for although no reasonable Swiss had the slightest desire to fight either side, it was difficult to say what starving workmen would do.² The commercial attaché shared this fear, for he saw the Swiss caught on the horns of a dilemma. If they acceded to the German demands, the Allies would cut off their food supply, and then they must throw in their lot with the Germans in order to exist. If they acceded to the Allies' demands, the effect would be the same because the Germans would then embargo coal

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1. Minute by O'Malley on Bertie-FO, 15 June 1916, telegram, FO 382-1072-115415/16. At Lord Robert Cecil's suggestion this file was shown to Sir Edward Grey who minuted 'I agree'.
 2. Grant Duff-FO, 23 June 1916, dispatch, FO 382-1072-123003/16.

and iron, thus destroying Switzerland's purchasing power to obtain foodstuffs from the Allies. In either alternative the Swiss must join the Central Powers.¹

Sir Eyre Crowe was convinced the staff in Berne had formed an incorrect diagnosis of the Swiss political situation. Since it was to Germany's economic advantage to continue to export coal and iron, the German note was probably a bluff directed not at Switzerland, but at the Allies. Lord Robert Cecil, the Minister of Blockade, shared this opinion.

Nevertheless, it was thought prudent to investigate the military consequences of a refusal of the Swiss demands since this might induce the Germans to invade the confederation or conversely force the confederation to side with Germany. The Italian government was particularly nervous in this regard. They had been informed by the Swiss in November 1914, at the time of the publication of the Royal Decree curtailing transit trade with Germany, that if the Swiss could not obtain industrial supplies in Germany, it was a case of either starving or going to war. In the manner of arcane prophecy, this oracle did not specify against which side, but the Italians suspected it would be against the allies and this would mean in practice against Italy.² The fear of a sudden German rush through

1. Skipworth-Grant Duff, 22 June 1915, report, ibid.

2. Rodd-FO, 19 June 1916, telegram, FO 382-1072-118303/16.

Switzerland to turn the Italian line in the Trentino and the Julian Alps drove the Italian army to frantic preparation of defenses in the Swiss alpine passes during the spring and summer of 1916.¹

After consultation with French Army Intelligence, however, General Joffre was able to report that the question of Swiss exchanges should be considered as purely economic, and that military consideration need not intervene. He argued that the Swiss army covered the south wing of both the French and the German armies, and that Germany had neither the manpower nor the equipment to try to envelop the French right flank by violating Swiss neutrality which the Swiss army would most assuredly defend. Presumably this held good in regard of the Italian flank as well. Joffre saw no reason, from a military point of view, for ameliorating the economic position of the Swiss or for relaxing the blockade, the efficacy of which was shown by the German ultimatum.²

There was also the possibility that Switzerland would voluntarily associate herself with the Central Powers. But only one consideration could possibly induce Switzerland to assume the responsibility of a German alliance: that such a step would enable Germany decisively and rapidly to turn the tide of war in her favour. This could in no case be the result of a Swiss offensive against Italy, because nothing

1. Italy finally declared war on Germany on 27 August 1916.

2. Bertie-FO, 28 June 1916, telegram, FO 382-1072-124987/16.

that could happen in North Italy could bring a swift and decisive issue for German arms. The only hope for such a victory would lie in sending large German armies through Switzerland with Swiss support to threaten the French army in the flank and rear south of Belfort, which would make it worth Switzerland's while to incur the dangers, both internal and external, of joining Germany in the war. 'If this is the situation', Crowe concluded, 'then the Italian apprehension of a Swiss invasion need not be taken too tragically'.¹ The French too, on the strength of Joffre's report had discounted the danger of a German-Swiss offensive against their territory.

Nor were the possible political consequences of a refusal of the German demands by the Swiss ignored by the representatives of the Allied governments who had been meeting daily in Paris during June, discussing every aspect of blockade policy toward Switzerland. The delegates were united in their determination to show the Germans that it would not pay 'to bully' the neutrals. They felt it should be made clear to the Swiss that if they were driven to desperation it would be by German and not by Allied pressure, since the Allies were allowing the Swiss to import everything they wanted for their own use, setting down stipulations only against re-export. Germany, on the other hand, threatened to prevent imports to the Swiss for their own use. If either side were oppressing them, surely it was the German.

1. Minute by Crowe, ibid.

In the light of these considerations, the Allied representatives decided on a firm course of action.¹ In answer to the Swiss note of 3 April 1916 requesting further compensatory articles, a joint note was presented to the Swiss government on 19 June, stating that by the terms of the confidential letter of 4 October 1915 the Allies were neither verbally nor morally obliged to give the Swiss goods for the purpose of exchange.² Consequently the Allies would not countenance the use of their exports to aid the enemy, although as a sign of their good will they were prepared to discuss the question of allowing wine, fruit, and certain types of silk to be used in the transit trade. This uncompromising statement set the tone of the conferences held in Paris on 24, 29, and 30 June 1916 between the Allies and a prestigious delegation of Swiss leaders.³

The vice president of the French Comité de Restriction, Jean Gout, delivered the address of welcome to the Swiss delegates at the first conference. He said the conference was to be restricted to a discussion of the Swiss note of 3 April and deprecated any discussion of the German note of 8 June. Charles Lardy, the Swiss minister in Paris, acting as spokesman, replied that the German ultimatum had produced a bad effect in Switzerland and stated that the Federal

1. e.g. Cambon-FO, 26 June 1916, letter, FO 382-1072-123202/16.

2. NB.IV (9 September 1916), p.9.

3. The Swiss representatives were: Minister Lardy, National Councillors Ador, Chuard, Frey, Schmidheiny, Buser, the head of the Swiss Statistical Department, and Dr. Laur, of the Bauernsekretariat.

Council had returned a firm reply.¹ They did not wish the present discussions to be influenced unduly by the element of menace in the German communication. Switzerland was nevertheless in a precarious economic position, owing to largely increased receipts from Germany and decreased revenue resulting from their inability to export, which necessitated their turning to the Allies for the means of settling present debts, and continuing to draw further stocks from the Central Powers. Though the system of exchanges was no less repugnant to the Swiss than it was to the Allies, it was an unavoidable economic necessity.

With regard to German owned stocks in Switzerland, they were, relative to German needs, so small that they could not appreciably affect the outcome of the war. Furthermore, the Allies themselves had an interest in seeing that German exports were not cut off from Switzerland, as they were drawing large consignments of munitions from the confederation, whose economic health was to Allied advantage.

Gout indicated he was unimpressed by these arguments, summarizing them as an attempt to blackmail the Allies into using their own means of land and maritime transport to supply Germany. Nor were Swiss munition deliveries a matter to weigh heavily with the Allies, since these contracts were placed primarily to benefit Swiss industry, and could be just as well placed elsewhere.²

1. On 21 June 1916. NB. IV (9 September 1916), pp.11-12.

2. Craigie-FO, 24 June 1916, 'Report of the Conference on Swiss exchanges, held in Paris, 24 June 1916', FO 382-1072-123858/16.

As the Allies remained adamant, granting no concession to the Swiss exchange system during this and the subsequent conferences, the Swiss delegates withdrew to consult their government. Before they left Lardy read a statement expressing disappointment at allied intransigence, in the name of his colleagues:

Ils ont le regret de constater que leur mission concernant l'obtention de nouvelles marchandises ou la mise à la disposition du gouvernement fédéral des stocks constitués en Suisse par les Empires centraux n'a pu aboutir. 1

This expression of regret had little effect on the resolve of the Allies. On 4 July 1916 a joint note was delivered to the Swiss Political Department through the Allied ministers in Berne, which made the Allied position abundantly clear. Even prior to the Paris discussions the Allies had felt justified in returning to the Swiss government a fin de non recevoir,² in spite of Switzerland's debt of 16.5 million francs to Germany, since among the stocks requested for exchange purposes were articles of the first importance for the conduct of the war by the Central Powers. The Allies had not altered their resolve to oppose the release of these goods.³

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1. Bertie-FO, 30 June 1916, dispatch from Craigie, FO 382-1072-12663/16, and Bertie-FO, 3 July 1916, dispatch, FO 382-1072-127893/16.
 2. An expression used to describe the diplomatic practice of rejecting an official complaint without examining into its merits.
 3. Allied Ministers-Political Department, 4 July 1916, joint note, FO 382-1073/131724/16.

In the matter of compensation, the Foreign Office continued to regard it

'as most undesirable that an impression should be left on the mind of the Swiss government that, whenever pressure is brought upon them by the Central Powers, it is open to them to evade, without unpleasant consequences to themselves, their obligations toward the Allied Governments by putting forward the plea of 'force majeure''. 1

Meanwhile, the German government had been caught off guard by the violent reaction evoked in Switzerland by their 'ultimatum' of 8 June in which they had threatened the Swiss with an embargo of coal and iron. Their demands not only caused dismay and consternation in Swiss industrial circles but began a sharp anti-German campaign in the Swiss press. The German minister, distressed by this turn of events, hastily informed Hoffmann that while maintaining their demands for compensation, the German government did not intend to hold to the stipulated time limit.² The situation was not in fact so perilous as the Allies had at first feared, for it turned out that the Swiss Federal Railway possessed sufficient stocks of coal for six months, and the factories working for the Allies had enough for eight months.

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1. FO-Bertie, 18 July 1916, letter, FO 382-1072-127424/16. The occasion of this observation was the discovery that 'in a clear and deliberate breach' of the S.S.S. statutes, that organization had allowed the exchange with Austria-Hungary of lubricating oil and sulfur for the purpose of obtaining mineral oil through Austria from Rumania.
 2. Grant Duff-FO, 7 July 1916, telegram. FO 382-1073-132018/16. Craigie's minute: 'This strengthens the impression that we are merely in face of a severe case of German-Swiss bluff.'

The real problem was iron.¹ In any case, as Romberg had said, these supplies continued to flow into Switzerland even after the two week time limit had expired.

Not only had the German threat failed to achieve its purpose, but it was seen to be something of a diplomatic blunder. In his dismay, Romberg realized he must act quickly to restore Swiss confidence in German reliability and to regain some of the prestige lost in this regrettable incident. He therefore invited a group of Swiss industrialists and financiers to the Schweizerhof Hotel in Berne on 4 July 1916 to a meeting presided over by Captain Schmitz, the chief of the Military Commercial Section of the German Legation. Dismissing at the start as groundless rumour all talk of Germany's cutting off exports of iron and coal to Switzerland, Schmitz claimed to have information that the Swiss were exporting 8000 tons a month of munitions to France and Italy. None the less, the German government did not wish to harm Swiss trade, but to be helpful to it. He proposed, however, certain suggestions for the proper use of iron imports, to which the Swiss replied by agreeing in principle to set up a five man board to watch over exports to the Allied.² A report on this meeting from the French Consul in Basle noted it was conducted

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1. Craigie-FO, 1 July 1916, Report on the Allied-Swiss Conferences in Paris, FO 382-1073-132737/16.
 2. Protocol of the Schweizerhof Meeting, 6 July 1916, EVD SSS GS 1915-1919, Schachtel 20.

in a 'conciliante et même cordiale' mood. Craigie was convinced that the Germans were badly frightened at the results of their own action.¹

Nevertheless, the German government did not abandon their demand for Allied goods, or at least for the release of the goods they had purchased since the formation of the S.S.S. through the agents of the Central Purchasing Agency, and which were under its statutes unexportable. The value of the latter goods amounted to approximately 40 million francs.² During July, Schmidheiny in consultation with the Federal Council and with officials of the German Legation attempted to evolve an acceptable formula ensuring the continued flow of exchange material from the Allies. The Federal Council decided to request again the release of the stocks owned by the Central Powers and to request further material under the title of 'system of restitutions'. By this system, analogous to the

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1. Grant-Duff-FO, 18 July 1916, report from Skipworth, FO 382-1073-143161/16. Crowe's laconic comment on Craigie's minute was, 'That, I think, is the moral'.
 2. The list of Austro-German stocks in Switzerland in June 1916 includes 417 waggons of foodstuffs (6,058,000 francs), 221 waggons of fodder (538,000 francs), 77 waggons of industrial goods like oils, parafin, etc. (2,558,000 francs), in addition to 45,000 bales of cotton (27,000,000 francs), 7 waggons of flax (300,000 francs), 4 waggons of copper (80,000 francs), 2 waggons of lead (129,000 francs) and 4000 kilos of nickel (80,000 francs). FO 382-1073-156879/16.

'trafic de perfectionnement', in which metals were exported to Germany, worked up, and re-exported to Switzerland under Article 13 of the Règlement intérieur of the S.S.S., the Swiss hoped to supply stipulated quantities of raw materials (e.g., raw cotton) and receive in return manufactured goods with an equal quantity of the same raw materials in them. Over a short period this system would work in favour of the Central Powers. If the Swiss forwarded to the Germans, for example, one hundred tons of raw cotton, and received in return sheets containing one hundred tons of cotton, the Germans could immediately use the raw cotton in the manufacture of explosives, while the export of the sheets (presumably kept in stock) would serve to maintain the value of the Reichsmark.¹

The Swiss delegates returned to Paris with these new proposals to meet with the Allied representatives on 3, 8, and 9 August. Gout received the proposals from Lardy and assured him the Allies would give them careful consideration, but observed that the system of restitution seemed to be the compensations scheme under a different name.²

The Foreign Office rejected the Swiss proposals summarily.

1. Bell, Blockade, p.511. Naturally over a longer period stocks of manufactured articles would be depleted and the same material would have to be re-exported to Switzerland. The system would then lose its advantage for the Central Powers.

2. Bertie-FO, 3 August 1916, telegram, ibid. FO 382-1073-154131/16.

'The Allies cannot seriously be expected to allow the export of nearly 40 million francs worth of goods including large quantities of cotton'.

They saw the system of restitution as an excuse to give Germany raw material in exchange for stocks which it was essential for her to dispose of anyway, and were unaware of any reason why concessions on such a scale should even be seriously considered.¹

The French and, after initial resistance, the Italians accepted the Foreign Office view in this matter in an Allied meeting on 7 August. On the following day the Swiss were informed of the rejection of their proposals: the question of enemy stocks was not to be reopened, and the restitution scheme could not be considered. Traffic in silk, wine, and fruit, however, would not be interfered with, and if the Germans cut off the coal supply the Allies would try to supply 3500 tons a day from a Mediterranean port.²

In the final meeting with the Swiss delegates on 9 August, Lord Granville, Counsellor of the British Embassy in Paris, maintained the hard line the Foreign Office had chosen to adopt by mentioning the intention of the Allies to make representation to the Political Department about alleged abuses in the S.S.S. and demand guarantees against their recurrence.³ The Swiss delegates,

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1. FO-Bertie, 6 August 1916, telegram, ibid.
 2. Bertie-FO, 8 August 1916, telegram, FO 382-1073-155368/16. Craigie's minute: 'Satisfactory'. Switzerland needed in all 10,000 tons of coal a day.
 3. Bertie-FO, 9 August 1916, with the report of Lord Granville, FO 382-1073-156148/16. Craigie: 'Switzerland must now decide whether they will work with us or destroy the S.S.S.'.

recognizing the futility of further discussion, took formal note of the Allied declarations, and observing that they regarded their mission as a complete failure, returned to Berne.

Grant Duff lost no time in ascertaining the official reaction to the Allied stand on compensations. On 10 August he called on Hoffmann, who characterized the result of the Paris discussions as a great disappointment and expressed the view that the Allies should have allowed at least goods of no military value to be used for exchange. Now it was the turn of the Central Powers to vent their wrath on Switzerland. The Germans had already cut the coal supply by 90 percent, and exports of iron had practically ceased. Hoffmann could not decide whether the situation was really ~~a~~ serious or whether this was merely temporary pressure from the Germans to lend weight to their demands. Grant Duff, on the ground that the best defense was an offense, suggested withholding Swiss aluminium exports to Germany.¹

The Foreign Office was not to be intimidated by the report of the German coal and iron embargo. Craigie wrote: 'The critical period of Switzerland has now arrived, though, so quickly has this followed the breakup of the Paris Conference, that ~~it~~ may possibly still be a concerted German-Swiss move'.² Grant Duff was instructed

1. Grant Duff-FO, 11 August 1916, dispatch, FO 382-1073-159408/16.

2. Craigie's minute on Grant Duff-FO, 10 August 1916, telegram, FO 382-1073-156965/16.

to inform the Swiss government that they were to be under no illusion as to the possibility of the Allies yielding to this kind of pressure. The Allies presumed that the Swiss would now cut off exports to Germany of iron alloys and carbides. In any case the Allies would continue to watch carefully all Swiss exports to the Central Powers to remove all temptation to hedge on the regulations of the S.S.S.¹

Meanwhile, the director of the S.S.S. confirmed to Skipworth that coal exports from Germany had been stopped for four days and the Kohlenzentrale in Basle had been informed they would in future receive only 10 percent of the normal supply. The German Legation in Berne, when asked, claimed not to understand the matter. The Federal Council was meeting in emergency session, and Hoffmann had advocated the reduction in Swiss exports to Germany as suggested by the Foreign Office.²

A detailed report on the coal situation was prepared by Johann Hirter, the President of the S.S.S.³ Since the beginning of August, he reported, no coal had come from the Rhur, and exports from the Saar were being received in greatly reduced quantities: 10 percent of the necessary coal, and no coke at all. The Federal Council was debating the suspension of electro-metal exports to Germany since Germany looked to Switzerland for the production of ferro-

1. FO-Grant Duff, 12 August 1916, ibid.

2. Grant Duff-FO, 11 August 1916, telegram, FO 382-1073-158214/16.

3. Hirter was, curiously enough, not only president of the S.S.S. but a representative of the Coal Syndicate of Rhineland-Westphalia. Sir Francis Oppenheimer referred to him as 'the coal king of Switzerland'. Oppenheimer-O'Malley, 22 June 1916, letter, FO 382-1072-12249/16.

silicon, calcium carbide, and especially aluminium. These metals represented Switzerland's most useful bargaining tool.¹ Even before August, iron deliveries had fallen off sharply (June: 29,765 tons, July: 3314 tons, to August 15: 0 tons). Hirter believed the decrease in German exports was due not only to a desire to bring pressure on Switzerland, but to a shortage of manpower in Germany.²

Criticism in the Swiss press now, curiously enough, turned from the Germans to the Allies, who received the major share of the blame for the deteriorating economic situation because of their uncompromising stand in Paris. The most extreme critics advocated Switzerland's throwing in her lot with Germany, obtaining her wheat from Rumania, and returning to Germany the Allied prisoners interned in Switzerland. More moderate commentators admitted that the German note of 8 June was the real cause of the present situation, but felt that Allied intransigence had played into German hands, by forcing Switzerland to deal from a position of weakness with the Germans. The Allied policy was not regarded as directed specifically against the Swiss, but they were in fact the principal sufferers from the blockade.³

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1. Hirter's Report, 'Question des Charbons', August 1916, FO 382-1073-159408/16. Switzerland supplied Germany with 800-1500 tons of aluminium a month.
 2. Grant Duff-FO, 17 August 1916, dispatch, containing a report of an interview between Beau and Hoffmann on 10 August 1916, FO 382-1073-161426/16.
 3. Grant Duff-FO, 14 August 1916, dispatch, FO 382-1073-163713/16.

Swiss diplomatic resources had been exhausted in the unsuccessful effort to elicit Allied concessions, so there was no choice other than to enter into negotiations with the Germans. Considering Switzerland's unenviable position, she came out remarkably well from these negotiations.

The first conference was held in Berne on 17 August 1916, and the representatives met almost daily until 2 September.¹ An air of friendliness characterized the proceedings, and within a few days Hoffmann reported to the British minister that coal deliveries from Germany had increased to about 60 percent of normal.² Discussions terminated on 2 September with the signing of the general commercial agreement. The text of the agreement was published officially and at once,³ although a clause providing for a credit to Germany of 50 million francs was for a time kept secret.

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1. The German representatives were: Dr. Schmitt of the Ministry for Foreign Affairs, Herr Mathys of the Ministry of the Interior, Lieut. Henneberg of the Ministry for War, and Herr Poerschke, the Assessor. For Switzerland: Alfred Frey, E. Schmidheiny, and J. Käppeli of the Department of Agriculture and Commerce.
 2. Grant Duff-FO, 23 August 1916, telegram, FO 382-1073-166652/16.
 3. A statement was issued to the press immediately after the signature of the Agreement. The text is to be found in EVD-Abkommenen mit Deutschland 1914-1918, Schachteln 5 and 6.

By this instrument which was to regulate commerce between the two nations for a period of nine months (to 30 April 1917), the system of compensation was abolished and each state pledged itself freely to issue export licenses for its domestic products. For certain types of domestic goods, however, an obligation not only to license but actually to deliver the export was assumed by the respective governments.

The Germans rationed coal deliveries to 253,000 tons a month, but pledged themselves actually to deliver that amount, and to make up the difference in the following month if one month's delivery was short. This ration was considered sufficient to cover Swiss coal needs. Iron and steel were not similarly to be rationed but were to be exported in sufficient quantities 'zur Deckung des schweizerischen Bedarfs'. For their part the Swiss agreed to establish an Iron Import Authority (Zentralstelle für die Eisenversorgung) which would (a) determine Swiss iron and steel needs, (b) distribute their imports (c) control their use, i.e., ensure that they were not used for the production of allied war material. Subsequent to the establishment of this control, earlier pledges (grundsätzliche Richtlinien and Bestimmungen) signed by Swiss metal importers and manufacturers lapsed, the German blacklist was eliminated, and all embargoes against blacklisted firms were lifted.

The Germans conceded that the Swiss were bound to observe the statutes of the S.S.S., which had the force of an international

agreement, and therefore abandoned their insistence on the delivery of the enormous stores accumulated by the agents of the Central Purchasing Agency and stockpiled in Switzerland. The Swiss on the other hand undertook not to sequester or requisition these stocks during the course of the war, and to deliver them promptly when peace came.

Until this time the Treuhandstelle's control over the ultimate destination of imports from Germany was weak. Although the organization demanded pledges and guarantees before allowing delivery from Germany, it possessed no machinery for control over exports from Switzerland to the Entente lands. There were reasons to suspect that some war material was finding its way to allied armies which ultimately derived from German mines and factories. In an attempt to eliminate possible irregularities in this regard, an Ausfuhrkommission II (originally suggested in the Schweizerhof meeting during July) was organized to scrutinize exports on the French and Italian frontiers, just as the S.S.S.'s Ausfuhrkommission I did at the German and Austrian frontiers. Five officials comprised this organization: one each from the Political Department, the Department of Public Economy, and the Customs Department, and two from the Treuhandstelle. They were, of course, all Swiss. Again the object of these measures was merely to prevent the re-export of war materials manufactured from German exports or by factories using German coal, and not to impose a 'blockade' on the Allies.

Consequently goods of a non-military nature produced from German materials could still be exported legally to the Entente lands.

Private loans by Swiss banks to German firms had been a regular feature of Swiss financial activity in the first years of the war. When the extent of these transactions was brought to the attention of the French government, they had demanded and, by bringing severe pressure to bear on the Swiss government, received a credit of 50 million francs. Now the Germans demanded in this agreement equal treatment in order to ease the strain on the mark and to expand their purchasing capacity in the confederation. A loan of this amount would in addition cancel the Swiss debt to Germany of 16.5 million francs, accumulated principally in supplying Swiss army needs in the unequal compensation trade during 1915-16. The loan was agreed upon in principle by the negotiators and provided in the following months by a consortium of Swiss banks to a group of German financial houses. To avoid counter demands from the Allies for further credits, however, this clause was kept secret.

With the signing of the agreement of 2 September 1916, commercial relations between Switzerland and Germany were stabilized for the next nine months, and the supply of raw material to Switzerland was theoretically assured. The agreement terminated a diplomatic battle which the Allies and the Central Powers had fought, as it were, on Swiss soil, and in which the Swiss government had been ignominiously

reduced to the status of liaison officers, plying between the opposing camps with proposals and ultimata, but incapable of affecting to their own advantage the outcome of the struggle. The Germans appeared to possess the more powerful weapons in their control of iron and coal, but the Allies showed greater acumen in diplomatic manoeuvre. Sir Eyre Crowe and Owen O'Malley proved particularly resourceful in analysing the political temper of the Swiss and in playing the game of 'brinkmanship' with icy confidence.

The German grasp of the climate of Swiss public opinion, on the other hand, was weak, and resulted in their blundering seriously on the side of harshness where an accommodating policy might have achieved more satisfactory results. Indeed it was to Switzerland's advantage to implement the German policy of exchanges, for had further compensations been allowed, Swiss trade would correspondingly have profited, while conversely the Allied blockade policy must unavoidably have worked to the disadvantage of her economy. The German 'ultimatum' of 8 June was a mistake for it was based on the false premise that the Allies would be intimidated, and did not anticipate the adverse reaction of the Swiss themselves. As a result the Allies won a distinct diplomatic victory in the Paris negotiations during the summer, since they were able not only to tighten the blockade but to do so without irrevocably irritating the Swiss public who had been distracted by the foolish 'iron and coal ultimatum'.

The Swiss government too, once they were free to negotiate to their own account with the Germans, came off surprisingly well in view of the weakness of their position and the complete domination of their economy by the belligerent powers. It is a tribute to her negotiators that she found herself in a better economic position after 2 September 1916 than before. By the terms of the agreement she was freed from the onus of compensation and the blacklisting of her firms, and although rationed in the matter of coal, was furnished with an adequate and presumably assured supply. The loan, which was conceded under the customary terms of interest and repayment, cannot be regarded as a great hardship.

Considered dispassionately, the agreement should have earned the congratulations of the Allies for the success of the Swiss in obtaining, from their position of weakness, these concessions from the Germans. Unfortunately, the Allies were incapable at this stage of the war of regarding the German-Swiss agreement at all benignly, and took exception to its provisions which they regarded as too favourable to the Germans. This Allied reaction is rather surprising in view of their success in overcoming various operational difficulties in the functioning of the S.S.S. which had caused considerable criticism since the organization's founding eleven months previously and which had been solved only during the conferences in Paris during the early summer.

VINTERALLIED INTRIGUE

An unwillingness to abandon exchange trade with the Central Empires and to agree to the system of rationing which the Allies had first insisted upon after the initial talks between Sir Francis Oppenheimer and Alfred Frey was responsible for the delay until October 1915 in the acceptance by the Federal Council of the S.S.S. to which they had agreed in principle in the Spring of that year. When the compromise in the matter of exchanges gave promise of final acceptance by the Swiss of the trust-rationing scheme, an Allied conference was called to decide on the best method of imposing the rationing system. Two principles were evolved in this conference which met in Paris from 4-7 September 1915: (a) a permanent bureau for rationing Switzerland was to fix the amounts of rationed commodities, and (b) this bureau was to see that the quotas, fixed on a quarterly basis, were not exceeded.

The conference decided not to apportion the ration pro rata among the Allies, but to open the quarterly ration to free competition among the three nations. Thus rather than restricting each nation to licensing only one-third of the quarterly ration of a given commodity, each government could permit the general export of that commodity until the central rationing bureau, which tabulated the export statistics, announced that no more licenses were to be issued in that quarter. Various

technical provisions were designed to obviate any unseemly scrambling among the Allies to fill orders, although this problem in practice solved itself, since the several nations generally supplied different commodities and only occasionally engaged in direct competition. As regards commodities which the Swiss purchased from other neutrals, mutually acceptable quotas were to be worked out, and French and Italian customs officials were to see that these rations were observed. Sir Francis Oppenheimer who represented Great Britain at this conference expressed the hope that 'the bureau may eventually develop into something very much more important; beginning with the rationing of Switzerland it will probably become the central rationing bureau for all neutral nations'.¹

In the interim between the close of this general conference and the final acceptance of the S.S.S. by the Federal Council,² the Allies selected representatives to sit on the permanent rationing board in Paris, and made preparations for determining the limits of the Swiss rations.

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1. Memorandum by Sir Francis Oppenheimer on the Rationing Conference in Paris 4-7 September 1915, 9 October 1915, FO 382-408-130736/15. Sir Francis' prediction never came true. Till the end of the war the rationing of the northern neutrals was effected through a series of private agreements emanating from London rather than from the interallied commission in Paris, which confined itself to Swiss rations.
 2. On 4 October 1915. The formal acceptance of the confidential letter from Beau, Paulucci, and Grant Duff ('le Gouvernement fédéral se déclare d'accord avec tous les points énumérés dans la lettre susmentionnée') is found in Grant Duff-FO, 8 October 1915, dispatch, FO 382-408-149055/15.

Although Sir Francis Oppenheimer seemed the obvious choice to represent the United Kingdom at the conference to determine the Swiss rations, Sir Alan Johnstone, the British minister in the Hague, urgently required his services in the Netherlands. After tying up several loose ends in Berne, Sir Francis therefore returned to Holland in October 1915.¹ In his place Robert Craigie was sent out by the Foreign Office to represent the British government during the negotiations which began on 16 October 1915. A.H. LeChêne of Customs, an assistant collector of the port of London, was to accompany him and to remain in Paris as the permanent British representative on the rationing committee once it was formed.²

With his shrewd eye for business, Sir Francis Oppenheimer had left a lengthy memorandum on the importance of the composition of the rationing office in Paris. While the Russian government had sent no representative to the negotiations in Berne during the summer, as an ally they were in theory entitled to a voice in the rationing of Switzerland, though in

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1. As Sir Francis was leaving his hotel in Berne for the last time, an urgent message arrived from Hoffmann enquiring whether it would be possible to change the name of the S.S.S. to Association Suisse de Surveillance. Since in Whitehall jargon such organizations were customarily referred to by their initials, Oppenheimer advised against the change. As it was, the wags were soon referring to the S.S.S. as Souveraineté suisse suspendue. Oppenheimer's other interest, the N.O.T., shared a similar fate, as the German word Not = need, distress, misery, or peril. cf. Oppenheimer, Stranger Within, p.264. Also, Hoffmann-Oppenheimer, 7 October 1915, letter, FO 382-408-156785/15.
 2. Sir N. Highmore-Craigie, 13 September 1915, letter, FO 382-408-130816/15.

practice they exported nothing to that country.¹ Sir Francis insisted on the presence of a Russian in the rationing bureau.

'As far as the Russians are concerned, the supply of commodities to Switzerland will be of practical value only after the Dardanelles have been forced, but I think it will serve our purposes if we could get a Russian representative from the start. The French and the Italians will act on the presumption that their interests predominate in Switzerland and there is some danger that our interests may be outvoted. If we get a Russian representative we shall have at least an equality of voices as I have in view a member of the Russian Legation in Berne who is a personal friend of mine and who will support me whenever the British Delegate may need his support. His name is Boris Tukhtiaew'.²

In spite of the efforts of Sir George Buchannan, the British Ambassador in Petrograd, to obtain the services of Tukhtiaew, the Russian minister in Berne (Basile de Bacheracht) resisted giving him up and suggested instead a M. Felkner, lately Russian commercial attaché for South Germany. Felkner was personally known to Oppenheimer, who, considering him most inefficient and 'strongly under the influence of the French delegate at Berne', urged resisting his candidature at Petrograd 'as it would entirely thwart our purpose of Russian participation'.³

1. The closing of the Straits had put an end to trade between Russia and Switzerland.

2. Oppenheimer-Crowe, 20 September 1915, letter, FO 382-408-135022/15.

3. Grant Duff-FO, 8 October 1915, telegram, FO 382-408-146768/15.

Buchanan finally succeeded in convincing the Imperial Russian government of the importance of the matter and obtained the appointment as their representative to the conference and on the permanent rationing board of Michel Batschev, an agent for the Russian Ministry of Commerce in Marseilles,¹ who was considered sufficiently favourable to British interests.

Evidently the French and the Italians regarded Batschev as rather too favourable to the British, for after a few days of the conference, during which the Russian had adopted the British view on most questions, Gout suggested privately to that gentleman that he absent himself when the Swiss delegates were present since the Russian government had taken no part in the original S.S.S. negotiations. The Russian Ambassador found this suggestion 'discourteous', and Craigie was incensed, suspecting that the incident was due to 'Italian intrigue'.² Lord Granville accordingly spoke in private to Gout who apologized, and made a point of requesting Batschev to attend all future meetings.³

The formal meetings of the committee to determine Swiss quotas took place almost daily between 20 October and 9 November 1915.⁴ Which commodities were to be consigned to the S.S.S. and therefore to fall under

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1. Buchanan-FO, 22 October 1915, telegram, FO 382-408-156550/15.
 2. Granville-FO, 27 October 1915, telegram, FO 382-408-159278/15.
 3. Granville-FO, 28 October 1915, telegram, FO 382-408-159996/15.
 4. The representatives present were:
 - England - R.L. Craigie, A.H. LeChêne.
 - Italy - Commander dell' Abbadessa, G. Pacci, L. Natta.
 - Russia - M. Batschev.
 - France - Admiral Lefevre (president of the Comité de Restriction), M. Moulié, M. Péan.
 - Switzerland - H. Grobet-Roussy, A. Frey, J. Bonzon.
 - President - J. Gout.

the ration was the committee's first consideration, and although the British and French representatives quickly agreed that a conflation of their own lists of prohibited exports would provide the most convenient basis for the consignment-rationing list, the Italians objected that this would be prejudicial to their own economy. They pressed for the exclusion of wine, green vegetables, and chlorate of soda.¹ Wine was consequently excepted, though the other two commodities had to be consigned to the S.S.S., the one because of its nutritive value, the other because it could be used as an ingredient of high explosive.²

After deciding on the types of goods to be consigned to the S.S.S., the committee turned their attention to fixing the quotas for these goods. Following the practice of the French commission des dérogations, Switzerland was to be allowed her normal import, based on the 1911-13 average, less her average exports to the Central Powers. This formula was accepted by the French, British, and Russians, but again the Italians, who favoured supplying the Swiss with their average imports without considering the factor of exports to the Central Powers,³ objected so strongly that the Foreign Office was forced, among other

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1. Bertie-FO, 24 October 1915, telegram, FO 382-408-157040/15.
 2. Granville-FO, 27 October 1915, dispatch, FO 382-409-160035/15.
 3. Bertie-FO, 29 October 1915, report by Craigie on the progress of the negotiations, FO 382-409-161513/15.

expedients, to resort to exerting pressure in Rome to override these objections. Rodd was instructed to observe to Baron Sonnino, the Minister for Foreign Affairs, that although he had 'explained the technical reasons that make it difficult for Italy to declare war on Germany, and we have not pressed this point even when advancing money, but have treated Italy as a full ally', the Italian delegates were nevertheless manifesting a desire to increase exports to Switzerland which might well find their way to the enemy. The supply of German needs by Italy was causing His Majesty's government 'the greatest anxiety'.¹ The allusion to financial assistance from Great Britain did not escape Sonnino, and the Italian delegates were soon adopting a more co-operative attitude in fixing quotas according to the suggested formula.

Even when the rationing principle was accepted, however, its application to individual commodities proved difficult. Customs statistics were available, but the inevitable dislocation of trade caused by the war complicated matters for not only were former sources of supply abandoned, and new ones developed, but the needs of Swiss wartime industries, which heavily favoured the Allies, had to be judiciously provided for. 'Harmless' trade with Germany was allowed to proceed normally, and the sale of luxury products to drain the

1. FO-Rodd, 5 November 1915, telegram, FO 382-409-161085/15.

financial resources of the Central Powers was actually to be encouraged. After weeks of deliberation on the complex factors involved, the commission produced a schedule of several hundred commodities to be consigned to the S.S.S. along with their quotas.¹ As these quotas were arrived at in consultation with the Swiss delegates, there was relatively little objection on their part to their final acceptance. In any case, provision was made for revision - higher or lower - of the rations if need should arise in future. The schedules were officially announced to the Swiss government on 9 November 1915.

The final question considered, after drawing up the list of consignable commodities, and establishing the rations, was that of a permanent body to administer the rations.² Early in the discussions it became evident that it was the intention of the Italian delegate, Commander dell'Abbadessa, to press for the establishment at Berne of a committee consisting of special delegates appointed by the Allied governments to discuss and advise on all matters relating to the working of the S.S.S. and that, in his opinion, the Paris commission should dissolve after the actual rationing figures for Switzerland had been decided upon. If a bureau were established in Paris, dell'Abbadessa

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1. A complete list of the articles to be consigned to the S.S.S. is found in The Board of Trade Journal, 18 November 1915.
 2. The representatives ultimately chosen for this body were Batschev, Natta, Moulié, and James Meadows Smith. Craigie-FO, 27 October 1915, letter, FO 382-408-159049/15.

maintained it should be of a purely statistical character, and its work should consist merely in tabulating and distributing data submitted by the S.S.S. and the Allied governments.¹

There were serious objections to dell'Abbadessa's proposal. In discussions with Sir Francis Oppenheimer, during his last visit to Paris in October, the Allied representatives had concluded that a rationing commission and not merely a statistical bureau should be established there. If the rationing of Switzerland was to be worked out without constant delays and misunderstandings, it was necessary that the implementation of Allied blockade policy be prompt and uniform, and a central representative body exercising an advisory function seemed essential for this purpose. Moreover, while he was in Berne, Sir Francis received the impression that the French Ambassador (Beau), and particularly Captain Piaton, the military attaché, were likely to favour French commercial interests to the detriment of the British. Skipworth (the British commercial representative) was, besides, new to his job, and Sir Francis felt it 'inexpedient' to invest him with too much power. Finally, dell'Abbadessa appeared likely to be appointed to the proposed Berne commission and experience had shown² 'he was a somewhat dangerous individual'. For these reasons the Foreign Office insisted on a combined statistical and advisory commission

1. Craigie-Grey, 25 November 1915, report, FO 382-409-178389/15.

2. Craigie-Waterlow, 23 February 1917, letter, FO 382-1568-44894/17.

being established at Paris, where they could through the large and capable staff of the British Embassy exercise better control over Swiss blockade policy than they could in Berne.

To this end Craigie enlisted the aid of the Russian delegate in conjunction with whom he drew up a draft for a commission to be located in Paris. At first the French delegation showed an inclination to agree with the Italian proposal,¹ but after a certain amount of private discussion and negotiation, came over to the British view. When dell'Abbadessa was confronted with united opposition to his Berne scheme, he showed a disposition to accept control from Paris with certain modifications which would make this plan more palatable to his government.² In private dell'Abbadessa confided to J. Meadows Smith of the Paris Chamber of Commerce, who had replaced LeChêne as the permanent British representative to the rationing commission,³ that the Italian government opposed the Paris commission because it was 'too political', and that the principal opposition came not from the Italian Ministry of Finance but from the Ministry for Foreign Affairs who feared to exacerbate relations with Germany.⁴

When the Italian Minister for Foreign Affairs learned of the trend of negotiations in Paris, he had his Ambassador in London, the

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1. Memorandum by Craigie, 18 November 1915, FO 382-409-173224/15.
 2. Bertie-FO, 30 November 1915, dispatch, FO 382-410-183884/15.
 3. Meadows Smith remained on the commission until 1918.
 4. Bertie-FO, 15 December 1915, Memorandum by Meadows Smith, FO 382-410-192491/15.

Marquis Imperiali, leave a note at the Foreign Office pointing out that (a) the Paris commission would be a duplicate of the commission of Allied commercial attachés auprès de la S.S.S. in Berne, (b) the Paris commission would have a political rather than a technical character, and (c) a commission in Berne would be better adapted from local knowledge to discuss promptly and thoroughly any difficulty which might arise.¹

With the Russian and French delegates in agreement, however, the Foreign Office had no difficulty in maintaining their stand in favour of the Paris commission.²

The organization known as the Commission permanente internationale des Contingents (C.P.I.C.) was therefore established in Paris on 15 December 1915. Its purpose was (a) to ascertain whether the import quotas of 9 November 1915 were being observed and to inform the Allied licensing authorities when the quarterly ration was nearly filled so they could suspend the issuance of further licenses for that quarter, (b) to indicate measures to be taken in case of non-observation of the quota, (c) to give advice on future adjustment of rations, (d) to receive and evaluate reports on the activity of the S.S.S., (e) to provide the Allied governments with their expert opinion on blockade matters.³

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1. Imperiali-Grey, 4 December 1915, note, FO 382-410-184823/15.
 2. dell'Abbadessa enlisted the support of Grobet-Roussy for the commission to sit in Berne, and claimed he would attend no more meetings in Paris. This bluff failed. Grant Duff was instructed to make it clear to Grobet-Roussy that there was no chance of British acquiescence in the Berne scheme. Grant Duff-FO, 8 January 1916, telegram and reply, FO 382-1058-4886/16.
 3. Règlement de la Commission permanente internationale des Contingents, FO 382-409-178389/15.

The daily business of the four man commission was to collect statistical data and other information, and they were to meet once a month in plenary session.

With the establishment of the C.P.I.C. in Paris, the machinery for the Swiss segment of the blockade of the Central Powers was completed. The S.S.S. itself went into operation on 16 November 1915, although it took some time for the various Allied committees to process the first applications for consignment as proper forms were not at first available and decisions on special cases, such as consignment to Swiss government monopolies, had to be made by the proper authorities. To lessen the pressure of work on the society in its initial stages, the Board of Trade decided to issue licenses for consignment to the S.S.S. only on 15 December 1915.¹ On that day Skipworth ceased to issue guarantee forms which had hitherto been necessary for the import of 'prohibited' goods into Switzerland.² Goods which were not on the list of consignables to the S.S.S. could still be shipped directly to the importer in Switzerland, accompanied only by a license of the War Trade Department,³ although the number of 'free' goods of this sort diminished notably during the following year as the blockade ring was drawn tighter. Goods such as wheat, rice, and oil which had formerly been consigned directly to

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1. The Board of Trade Journal, 2 December 1915. Actually the date was later changed to 20 December 1915, cf. FO-Bertie, 14 December 1915, FO 382-410-190767/15.
 2. Grant Duff-FO, 21 December 1915, telegram, FO 382-431-196089/15.
 3. e.g. cinnamon, cf. FO 382-429-190044/15 (13 December 1915).

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Swiss government monopolies were now to pass through the S.S.S.

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The S.S.S. eventually grew to enormous size, employing by the end of the war some 500 persons, 420 in Berne and 80 in foreign lands. Foreign bureaus were established in Paris, Bordeaux, Cette, Marseilles, Le Havre, Rome, Genoa, Washington, and London. The London Office was administered by Arthur Palliser, a British businessman who had great sympathy for the Swiss cause.

It will perhaps be instructive at this point to outline the steps to be followed by a Swiss in importing a commodity consignable to the S.S.S. Let us say a textile firm in St. Gall wishes to purchase ten quintals of cotton tissue from a cloth manufacturer in Manchester. After the details of the purchase - price, quantity, etc. - have been settled between the firms, the customer in St. Gall obtains a certificate from the S.S.S. stating they will accept the consignment of ten quintals of cotton cloth. The S.S.S. issued such certificates only to reputable firms which were members of the Syndicate of Cotton Users. The importer in St. Gall fills out this certificate and returns it to the S.S.S. in Berne, who forward it in duplicate to the S.S.S. office in London.

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1. Carlin-Grey, 2 December 1915, letter, FO 382-410-184034/15. Oil had been elaborately rationed by private agreement with France, signed on 26 January 1915. This scheme was also subsumed under the S.S.S. cf. the exchange of notes between Berne and Paris, 17 May 1915, FO 382-415-70602/15, and the Memorandum by Craigie, 16 December 1915, FO 382-415-192640/15.
 2. S.S.S. R.I., p.93.

There Palliser's staff files one copy, forwarding the second to the exporter in Manchester. The exporter sends this certificate along with his application for an export license to the Licensing Committee of the War Trade Department. On receipt of the export license, the Manchester exporter informs the S.S.S. through the London office, on a special form, of the number of the War Trade License, the date of shipment, the name of the shipping agents, and the port of discharge, and receives in return a 'pink slip'. The cotton, accompanied by an S.S.S. 'pink slip' is then allowed by customs officials at Marseilles and Pontarlier to pass on in the name of the S.S.S. to the importer in St. Gall.¹

Meanwhile, the Licensing Committee of the War Trade Department has sent to the C.P.I.C. in Paris a monthly report on the amount of cotton cloth licensed for export from Great Britain, including presumably the shipment to St. Gall. Rationing is done on a quarterly basis. When 75 per cent (reduced in April 1916 to 50 per cent)² of the proportional ration has been filled, the C.P.I.C. informs the competent authorities in Rome, Paris, and London, in the latter case, the War Trade Department. The War Trade Department then orders the Licensing Committee to suspend licenses for the present quarter. The C.P.I.C. tried to remedy excesses in the actual imports of rationed goods by suspension of licensing rather than by stoppage of goods actually en route or arrived

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1. Memorandum of Admiral Slade, 16 December 1915, FO 382-410-192478/15.
 2. War Trade Department-FO, 5 April 1916, letter, FO 382-1061-65890/16. Experience had shown that the other fifty per cent was usually filled by the other allies.

at the frontier, which caused congestion of storage accommodations and heavy demurrage on steamers and railways.¹ As far as possible, they desired to place an embargo on goods before they were shipped to save duplication of work for the licensing committees who were in any case inundated with applications for export.²

At the same time the commercial attachés of the Allied missions in Rome were in constant communication with the S.S.S. authorities and were meeting frequently both by themselves and with Grobet-Roussy to discuss questions relating to the working and control of the S.S.S. The rapport between the attachés and Grobet was good and served to remove much of the unpleasantness necessarily associated with the presentation of occasionally harsh demands from the Allied blockade authorities and conversely to dull the edge of complaints from the Swiss side.

After a century of free wheeling economy, it was not to be expected that the controls imposed on Swiss trade by the S.S.S. would command the enthusiasm of Swiss businessmen. The British government had, of course, anticipated objections to the scheme before its inception,³

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1. C.P.I.C. report 149, 7 March 1916, FO 382-1061-52199/16.
 2. Minutes of a meeting of the Licensing Committee, 4 February 1916, FO 382-1061-48917/16.
 3. Memorandum by C. Hurst, 17 July 1915, FO 382-407-96817/15.

but were perhaps deficient in propagandizing its advantages, especially in German speaking Switzerland. Frey's prediction at the first meeting of the General Assembly on 11 October 1915 that the members of the Assembly would soon become the most maligned men in Switzerland was fortunately not fulfilled since their forthright integrity retained for these men the respect of all. But the institution itself, especially in its initial phase of operations, was not spared the obloquy of the business community. The objections to the S.S.S. were many and varied, but contrary to the expectations of the Foreign Office, they were aimed primarily against application procedures and delays in delivering orders, rather than against the imposed rations which apparently had been set at a sufficiently high level. German sympathizers in Switzerland and several Swiss German newspapers made every effort to exploit the discontent of Swiss traders, and their agitations roused antagonism to the S.S.S. from the very beginning.

Particularly affected by the S.S.S. regulations were small traders and the cottage industries. Working on a narrow margin of profit and with little capital on hand, these Swiss found it difficult to raise funds for the bond required by their syndicate and to leave this cash idle for an indeterminate period. ¹ The necessary bookkeeping and the statistics of earlier imports were frequently beyond the capabilities

1. War Trade Department-FO, 31 March 1916, letter, FO 382-1061-61802/16.

of the small businessmen whose records were negligently kept and whose importing in the past had been conducted entirely by parcel post. Not unnaturally, businessmen of this sort experienced irritation at the numerous and expensive formalities in the S.S.S. procedure.

Weightier objection was raised by larger firms against what they regarded as unconscionable delays in the delivery of goods across France. These delays and the outcry raised against them were widespread and serious enough during the winter of 1915-16 to drive the directorate of the S.S.S. to the point of resignation, and call¹ into question the continued existence of the Trust. In January 1916 the French Chamber of Commerce in Geneva in fact addressed to the French Minister for Foreign Affairs a resolution calling for the abolition of the S.S.S., giving as reasons for their dissatisfaction the large cautionary sums required by the syndicates, the unfairness of being forced to disclose details of previous business (to fix the amount of imports allowed) which gave competitors valuable commercial information, and especially the difficulty of transporting goods² across France. Indeed public feeling was so strong that the S.S.S.

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1. E. Grey-Cambon, 1 April 1916, Memorandum, FO 382-1076-54175/16.
 2. Grant Duff-FO, 7 February 1916, dispatch with a copy of the Chamber of Commerce resolution dated 19 January 1916, FO 382-1060-29116/16.

was forced to publish an official apology on 5 February 1916,
¹
 promising to facilitate rail transport through France.

Delays on the French railways had affected Swiss imports from the beginning of the war. On mobilization in 1914, all railways in France passed under the control of the military authorities. Those near the front in an area known as the 'Zone of the Armies' were under the orders of the Commander in Chief; those in the rear - the rest of France - were under the Fourth Bureau (quatrième bureau) of the
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 Ministry of War. From the start the railways suffered from a shortage of rolling stock which became progressively more marked as the number of French troops to be supplied on the front climbed to two and a half million, with another two and a half million on the lines of communication and at supply depôts, and the British Expeditionary Force
³
 reached the million mark. The Channel and Atlantic ports grew so congested with supplies for the French and British armies in the Spring of 1915 (not to mention French civil needs), and Marseilles was so clogged with supplies for the Dardanelles campaign that the Fourth Bureau 'strongly advised' the Swiss to confine their traffic to the port of Cette in order to lighten the burden on the main French ports
⁴
 and rail lines.

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1. Guichard, op.cit., p.214. The text of the letter of the S.S.S. is found on pp.215-16.
 2. A.M. Henniker, Transportation on the Western Front 1914-1918 (London, 1937), I, 4, 11.
 3. Bertie-FO, 7 March 1915, dispatch, FO 382-422-75753/16. 1055-46535/15.
 4. Bertie-FO, 7 June 1915, dispatch, FO 382-422-75753/15.

It is difficult to imagine a less convenient French port than Cette (now Sète), which lies southwest of Montpellier, some ninety miles west of Marseilles. Swiss importers immediately raised a howl of complaint, but in August 1915 the French Minister for Foreign Affairs (Delcasse) announced that Cette was to be reserved for Swiss traffic, its use was to be permanent, and there was no likelihood of change in the decision of the authorities. The French government could no longer guarantee the transport of Swiss goods from other ports, and although they were not prepared to forbid shipment to them, their use had to be at the risk of the owner and the shipper, and the consignments could not exceed in bulk one complete waggon load. Delcasse claimed that important measures had been taken to put Cette¹ in a fit state for dealing with a large and regular trade.

This was not the opinion of a Foreign Office representative sent out from the consulate in Marseilles to inspect the facilities at Cette, who reported that the port was out of the question for further traffic. Cette was hardly able to cope with local trade. The maximum draught at quayside was eight meters, the cranes were inadequate, and, as the rail line did not extend to the warehouses, carting was necessary for which labour was scarce. 250 to 300 waggons a day were required for Swiss grain alone, of which only 60 were available. Cette was,² he judged, 'a hopeless place'.

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1. Bertie-FO, 5 August 1915, dispatch, FO 382-423-108628/15.
 2. M. Crowe-FO, 9 November 1915, dispatch, FO 382-424-170004/15.

The Foreign Office had for a long time suspected that the difficulties experienced by the Swiss in importing goods from overseas really stemmed from France's own commercial interest in that country and her desire to suppress competition. In early 1915, various British firms had alleged that although they had undertaken not to export to Switzerland, their French competitors continued to do so.¹ O'Malley felt it was very likely true that the French were trying to cut Great Britain and Italy out of the Swiss market to their own advantage and to the detriment of the blockade. Sir Francis Oppenheimer did not doubt this for a minute and saw this policy as responsible for the tenacity with which the French had been insisting that they must issue fresh licenses for any British export passing through France to Switzerland after being licensed by His Majesty's² government.

Oppenheimer was referring to an old bone of contention between the British and French licensing authorities. The British had assumed that their ally would allow British goods to pass to Switzerland on the strength of the British export license on the presupposition that the War Trade Department had satisfied itself as to the ultimate destination of the shipment, but the French Customs officials had been holding such goods at the Swiss frontier until the British exporter

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1. e.g., Pirelli Ltd. (rubber products)-FO, 13 May 1915, letter, FO 382-422-60038/15.
 2. Minutes by O'Malley, Oppenheimer, ibid. Craigie found the French policy 'intolerable'.

obtained a French license as well. The resultant inconvenience and aggravation can easily be imagined. When the French government ignored frequent British representation on this point during the Spring of 1915, the Foreign Office sent an unequivocal telegram en clair to Bertie, knowing it would be picked up by French Intelligence:

I have been expecting for more than two months to receive the views of the French government on our proposals. (British firms) are unable to understand the delay in reaching an arrangement nor why the French government should place difficulties in the way of the transit to Switzerland of British goods even after full investigations as to ultimate destination have been made by H.M. government whilst French goods of the same class apparently are allowed to pass. ¹

Bertie, of course, followed this up with 'a strong note' to Delcassé.

The question of securing French export licenses for British exports to Switzerland through France was the subject of 'a long and
²
at times acrimonious discussion' during the Paris conferences in June 1915 which had been called to formulate a common Allied economic policy before the S.S.S. proposals were presented by Oppenheimer, Crozier, and dell'Abbadessa to the Swiss government during the summer. ³
At last the French agreed that goods licensed by the British, even though prohibited of export by the French government would not require

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1. Grey-Bertie, 22 May 1915, telegram, FO 382-422-60038/15.
 2. Bertie-FO, 26 May 1915, telegram, FO 382-422-66862/15.
 3. The minutes of these conferences were summarized by C. Hurst, 19 June 1915, FO 382-422-80837/15.

in addition a French export license but would be allowed to be shipped freely across France on the strength of the War Trade Department recommendation, unless there were special reasons for suspecting an enemy destination. The assimilation of the British to the French list of prohibited exports during the summer of 1915 as well as more precise identification of the goods involved eliminated further sources of friction,¹ though a truce in this unedifying interallied struggle was far from being declared.

A disturbing memorandum submitted in October 1915 by Sir Francis Oppenheimer gave further evidence for suspicion that the French were continuing to hold up British consignments in an effort to oust competition from the Swiss market. Enclosed was a confidential document from a Zurich coffee dealer which purported to prove 'an attempted policy of blackmail'. It appears that large consignments of coffee had been seized by French cruisers and were being held in French ports until the Swiss purchaser signed an undertaking to purchase future requirements only through French importers.² The Foreign Office felt that this plot was hatched through the misguided zeal of local officials without the knowledge and consent of higher French authorities, but were, of course, deeply troubled by it.

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1. Bertie-Delcassé, 5 August 1915, aide memoire, FO 382-423-107028/15. Customs-FO, 6 September 1915, letter, FO 382-423-12667/15.
 2. Memorandum by Oppenheimer, 20 October 1915, with statement by M.F. Aebly of Zurich, FO 382-423-149053/15.

It was the opinion of the Contraband Department that the exclusive use of Cette for Swiss imports would at least have the advantage of minimizing the opportunities for the obstruction of trade by subordinate French officials and they therefore tried to arrange through the Board of Trade regular sailings to that port for British shipments. Sir Edward Grey informed the Board of Trade that because Italy and France were making use of the abnormal condition of transit traffic across their territories to supplant in Switzerland not only the trade of Germany and Austria but also that of other neutrals, of the United Kingdom, and of each other, it was politically desirable to make every effort to maintain and to strengthen British commercial ties with the Swiss 'since the political intercourse of the two countries consists almost entirely in the discussion of commercial questions'. This effect could be achieved by encouraging¹ British shipowners to make Cette one of their regular ports of call.

The Board of Trade, however, did not hold out much hope of inducing the Allied Shipping Control to schedule more sailings to this out-of-the-way port, for the principal difficulty with using Cette seems not to have been the harbour's depth which sufficed for all but the largest ships, nor the inadequacy of its facilities which were reportedly

1. Grey-Board of Trade, 5 November 1915, letter, FO 382-424-161705/15.

being improved,¹ but irregular sailings because of lack of cargoes to be picked up there.² Craigie recommended the appointment of Meadows Smith to investigate and deal with transport problems in France,³ and meanwhile sent in a preliminary report in which he reiterated the opinion that Cette was 'absolutely unsuited' for British exports. A deliberate attempt was being made by the French War Office, he stated, to hinder British trade in the mistaken view that French trade would thereby benefit. Although during the summer of 1915 goods were being forwarded from Le Havre and Bordeaux to Switzerland, by the autumn deliveries had almost completely stopped and little or nothing was passing Cette. Bertie was consequently pressing the French government for the use of additional ports for British-Swiss traffic.⁵

Craigie suggested that the Foreign Office inform the French government that they could no longer accept without protest a situation which had led to the complete dislocation of trade relations with Switzerland and trusted that Swiss traffic would be permitted to pass

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1. Gurney (consul at Marseilles)-FO, 4 October 1915, telegram, FO 382-423-143959/15. M. Crowe was, however, unimpressed by these 'improvements'.
 2. Gibson and Son (tanners)-FO, 23 November 1915, letter, FO 382-424-177429/15.
 3. Bertie-FO, 11 November 1915, telegram, FO 382-424-169664/15.
 4. Memorandum of Craigie on Transport in France, 19 November 1915, FO 382-424-173987/15.

through ports at which British steamers habitually called. Cette in his opinion, should be reserved for grain only since its facilities were unsuited for other goods.

At a conference called at the Quai d'Orsay as a result of British complaints, representatives of the Fourth Bureau of the French Ministry of War agreed to arrange for one train a week from Le Havre (French rolling stock), a bi-weekly train from Bordeaux (Swiss rolling stock), and a second bi-weekly train from St. Nazaire,¹ if the British would provide the necessary fifty to one hundred waggons. The Secretary of the Army Council in London, however, regretted that no British railway equipment was available for Swiss service because of a shortage of rolling stock (although a number of waggons were being² built in Canada), shipping difficulties, and differing wheel gages. Nevertheless the Swiss Federal Council ordered the Federal Railway to provide the required locomotives and waggons which the British were unable to supply. Service on this run therefore began within a fortnight (December 1915). In announcing this, Grobet-Roussy pointed out incidentally to Skipworth that only 170 waggons a day arrived from France as against 900 from Germany, and hoped the British government

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1. Bertie-FO, 17 December 1915, telegram, FO 382-424-193705/15.
 2. FO-Bertie, 23 December 1915, telegram, FO 382-424-196926/15. War Trade Department-FO, 19 January 1916, letter, FO 382-1055-11508/16. 2,500 British waggons were, however, in the service of the B.E.F. at this time.

would continue to press the French for better rail facilities for under present circumstances it was useless for the S.S.S. to issue permits as Swiss buyers were already threatening to sue the S.S.S. for damages caused by delays in delivery.¹

It was natural that the Swiss public, who were of course unaware of these conflicting Allied policies, should blame the newly formed S.S.S. for their troubles and difficulties in obtaining supplies. The S.S.S. came into operation just at a time when the Allies were drawing tight the blockade net and were endeavouring to prevent the escape to the Central Powers of shipments of any importance to the war effort. A general failure to distinguish between the trust organization and conditions which it could in no way control resulted in a shower of criticism being misdirected at the scapegoat S.S.S. during the early months of its existence. Gradually, however, informed circles in England and in Switzerland came to realize that difficulties experienced in Anglo-Swiss trade resulted principally from the policy of the French Ministry of War rather than from inadequacies in S.S.S. procedures. This realization extended even to other Ministries in the French government.

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1. Grant Duff-FO, 4 January 1916, telegram, FO 382-1055-2140/16. Bertie was accordingly ordered to point out to Briand that British trade seemed to be at a disadvantage in France, and while His Majesty's government were reluctant to admit that French authorities were purposely hindering British trade, the blame could no longer be placed on congestion in ports. FO-Bertie, 6 January 1916, telegram, ibid.

In December 1915, Lord Granville paid Briand a visit to complain of the situation and was told to his surprise that Jules Cambon (secretary-general of the Ministry for Foreign Affairs) was about to write a personal letter to the Minister of War 'complaining in the strongest language of the incompetence, obstinacy, and want of good will of the 4th Bureau of the Ministry of War'.¹ Bertie kept hammering away on the same theme during January 1916, pointing out to Briand that the decision of the Fourth Bureau to channel all British goods to Switzerland through Cette was intolerable as it had been 'conclusively shown by the unanimous verdict of merchants, agents, consular officials, etc. that Cette was totally inadequate' apart from the fact that it was not a regular port of call. He therefore requested that the competent authorities cancel immediately the Fourth Bureau's announcement that Cette was the only authorized port for British traffic.²

A scheme evolved by the director general of French Customs to circumvent the obstructiveness of the Ministry of War by excepting all consignments of less than 10,000 kilos from the requirement of a license from the Fourth Bureau unfortunately came to grief. Consignments of this class from the interior of France to Switzerland, or even of

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1. Bertie-FO, 29 December 1915, dispatch, FO 382-1055-2647/16.
 2. Bertie-Briand, 22 January 1916, letter, FO 382-1055-13679/16.

British goods to Italy across French territory were excepted from this licensing requirement, but British goods to Switzerland were not so treated.¹ The conclusion was inescapable that the Fourth Bureau wanted to block British trade to landlocked Switzerland.

In February 1916 the Foreign Office, exasperated by frequent reports from British and Swiss firms as well as from the Central Intelligence Branch of the Board of Trade of delay or non-delivery of goods, ordered Bertie to threaten the French government that

'unless the transit system between French ports and Switzerland can be shown by practical results to be working in a way equally satisfactory to British and French trade, H.M. Government will ... be strongly urged to withhold the facilities hitherto accorded for the transshipment in British waters of French exports destined for Scandinavia and the Netherlands'.²

On the day following the delivery of this communication, during the course of a meeting of the French Comité de Restriction, reference was made to the inequality of treatment accorded by the Fourth Bureau to French and British goods. The Fourth Bureau officer present at this meeting promised at the urging of Gout to discuss the matter with a Colonel Gassouin and a Major Hirsh who appear to have been responsible for the policy of that organization. But this promise had little effect: in early April, in fact, the Fourth Bureau refused to forward

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1. Bertie-FO, 29 December 1915, dispatch, FO 382-1055-2649/16.
 2. FO-Bertie, 18 February 1916, telegram, FO 382-1055-21466/16.

any more British goods from Le Havre to Switzerland.¹

This was the last straw. The French Minister for Foreign Affairs himself immediately issued a ringing memorandum to the subordinate officials of the French Customs and railways, pointing out in unambiguous terms the disastrous effects of a policy which 'has shocked the British government' and 'has exposed to real abuses' British commercial correspondence with Switzerland. Nor did he hesitate openly to fix the responsibility for the situation on the

Ministry of War.² This extraordinary memorandum was not ineffective, for Meadows Smith was soon assured by Major Hirsh of the Fourth Bureau that small consignments from Great Britain would be forwarded without further formality not only from Cette, but from Bordeaux, Marseilles, Nice, and Monaco as well.³ In spite of difficulties caused by unavoidable congestion at quayside, a general shortage of railway equipment in France, and irregular sailings to Nice, Monaco, and Cette, Swiss traffic was moving rather well by the autumn of 1916. Lord Granville, who had always entertained considerable doubts as to the good will of the officers of the Fourth Bureau, and had been certain

1. Bertie-FO, 2 April 1916, telegram, FO 382-1055-65556/16.

2. This memorandum is found in Bell, Blockade, p.505.

3. Bertie-FO, 5 May 1916, telegram, FO 382-1055-86067/16.

they were occupying themselves with questions which did not really concern them, i.e., with possible traffic with the enemy, was led to believe in September 1916 that this was no longer the case and that the Fourth Bureau was 'doing its best to cope with the very ¹ arduous task imposed on it'.

Statistics released by the French ambassador in Berne in November 1916 confirmed Lord Granville's opinion. By the Franco-Swiss convention of April 1914, France had undertaken to deliver 57,000 tons of cereals to Switzerland each month. The figures for 1916 were:

	<u>Total rail deliveries (tons)</u>	<u>Of which cereals comprised</u>
May	94,000	49,000
June	95,000	59,000
July	119,000	86,500
August	115,000	89,500

Three trains a day brought cereals to Switzerland: two from Cette, and one from either Marseilles, Nice, or Monte Carlo, while two other trains a day carried other goods from one or more of these ports. Each week three trains hauled British traffic from Bordeaux,

1. Bertie-FO, 15 September 1916, telegram, FO 382-1056-185164/16.

and one train brought French goods from Le Havre.¹ Swiss waggons comprised most of these trains, and the largest and best Swiss locomotives had to be sent down to Lyons to draw them up to Belle-²garde, but this does not detract from the achievement of the Ministry of War in scheduling and routing these trains under difficult wartime conditions.

To achieve even greater efficiency in the use of the railways a Director General of Transport (M. Claveille) was appointed by the French government in the autumn of 1916 to take over the functions of the Fourth Bureau and to maintain absolute control over traffic and tonnage.³ Under Claveille's leadership little difficulty was

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1. Rumbold-FO, 28 November 1916, dispatch, FO 382-1057-243652/16. Evidently the goods from Le Havre were purchased by the Swiss from overseas through French middlemen. The effort of the S.N.C.F. in keeping Switzerland supplied is impressive considering the vast increase in goods disembarked at French ports during the war. The monthly average for 1913 was 2,800,000 tons. The figures for 1916: January: 3,600,000 tons; March: 4,000,000; August: 5,000,000.
 2. Craigie-Waterlow, 21 April 1917, letter, FO 382-1564-86475/17.
 3. Bertie-FO, 11 December 1916, telegram, FO 382-1057-250906/16. Sir H.A. Lee and Meadows Smith were highly impressed by M. Claveille, though old Sir Henry hinted that if an energetic Englishman had been put in Claveille's job back in 1914, all transportation difficulties would have long since been overcome!

experienced in sending goods through France to Switzerland during the final two years of the war, to the satisfaction of both the
¹
 British and the Swiss.

The Swiss public was, of course, unaware during 1916 that a conflict between military and diplomatic interests was affecting the transport of their goods across France. Delays and inconveniences in obtaining goods were blamed on the newly formed S.S.S. who thereby found themselves victims of a slander campaign before they had time to prove themselves. The Foreign Office, convinced that the S.S.S. provided the only rational solution to the problem of Swiss trade, extended themselves throughout 1916 in defence of that organization against the attacks which threatened its early destruction. At first sight it seems strange that many Frenchmen would be indifferent, if not hostile, to the S.S.S. which, after all, had been established to deprive the Germans of much needed supplies, but their position did have its own logic. Meadows Smith, after visiting a number of French ports, discovered and duly reported the existence of a feeling among subordinate French officials and railway men that holding back all Swiss supplies was a patriotic gesture, according to the general, if

1. Lardy-Hoffmann, 30 January 1917, report, Pol.Dept., R.P., Paris 21, 1913-1917, 2001 (D) a

'Mm. Cochin et Claveille ont rivalisé de bonne volonté et j'espère que les mesures nouvelles constitueront un réel progrès...Le ton du discours prononcé au Sénat vendredi par M. Cochin (Journal Officiel du 27 janvier) était aimable vers la Suisse et avait pour leit-motiv les mots "faciliter le transport vers la Suisse de tout ce qui est consigné à la S.S.S. dans les limites des contingents"'.
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inarticulated, thesis that the fewer goods which reached Switzerland the better, for this would mean fewer still could be sent on to Germany. Those who were prepared to suffer the S.S.S., a body which they felt to be animated with good intentions but obliged to endeavour to please a great number of people with conflicting interests, thought the trust's resolve would be 'stiffened' by rigorous rationing measures.¹

The strategy of the Foreign Office to counter these measures was to enhance the authority of the S.S.S. by prompt and ample consignments to that organization of any goods that could be spared. In this practice they had been for a long time frustrated, as has been shown, by the French Ministry of War who whether through misguided and shortsighted patriotism or through a fear of British commercial prowess, had put every obstacle in the way of shipping these goods.

While the obstructive attitude of the Customs and rail officials in France had the virtues of logic and simplicity, that of the French government itself was confused by inconsistencies between their municipal Trading with the Enemy laws and their international obligations. In this regard, the policy of blacklisting Swiss firms according to an interpretation of their Trading with the Enemy laws which seemed to

1. Bertie-FO, 1 December 1916, Report of Meadows Smith, FO 382-1057-246769/16.

run counter to the obligations incurred by the signature of the S.S.S. agreement caused endless confusion and constant irritation to both the Swiss and the British governments.

The original Black List of enemy firms had been prepared by the British Foreign Trade Department according to the Trading with the Enemy Act of 23 December 1915 which forbade trade between persons domiciled in the United Kingdom and persons or organizations of
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'enemy associations' who were domiciled in neutral countries.

Since the British were anxious to inconvenience trade with neutrals as little as possible, only persons and organizations with undoubted enemy connections were blacklisted and, in fact, no firm in Switzerland which was a member of the S.S.S. was blacklisted because of 'enemy associations', although several members of the S.S.S. were put on the list by accident or for having violated the statutes of the trust.

There were two types of British blacklist:

1. The Statutory List, published openly, containing the names of all firms with undoubted enemy connections. Trading with any of these firms was punishable in law.

1. Siney, op.cit., pp.144-145.

2. The List of Suspected Firms, unpublished and secret, containing the names of all firms for which export licenses were in fact never issued by the British licensing authorities and with which British firms were on application for a license 'advised' to have no dealings.

These lists formed the basis for the French list published in August 1916 to which were added the names of Swiss firms which were members of the S.S.S. and which were suspected of having violated the French Trading with the Enemy law. These firms were refused consignments according to the French legislation which bluntly forbade trade with all German nationals everywhere. Under this title Swiss firms owned and managed by German nationals (and there were many of them) were blacklisted, as well as daughter firms (Tochtergesellschaften) of German firms established on Swiss territory.

In French law the nationality of a firm was determined by the nationality of its parent organization and thus the 'daughter firms' were regarded as German by the French, though in Swiss law they were¹ clearly and wholly Swiss. Accordingly such firms were blacklisted by the French in what the Swiss regarded as a direct violation of Article 3 of the Règlement intérieur de la S.S.S. which stated:

1. Bell, Blockade, pp.507-508.

Aucune maison inscrite dans le Registre du Commerce ne pourra, en raison de la nationalité des chefs, associés, secrétaires ou actionnaires, être exclue du bénéfice de recevoir des marchandises de la S.S.S.

On the day of the publication of the first British Statutory List (29 February 1916), the Foreign Office informed Grant Duff that the principle to be adopted vis à vis Swiss firms was that 'licenses to export to Switzerland through the S.S.S.E. are ... only refused in exceptional cases where the reputation of the consignee is particularly bad'.¹ Skipworth interpreted this principle as meaning that neither the letter nor the spirit of the S.S.S. agreement allowed any action which would deprive the Swiss firms from receiving goods through the S.S.S. 'unless they have broken the rules of this Society in such a way as to render them liable to expulsion'.²

It was therefore the practice of the British authorities to grant export licenses to all members of S.S.S. syndicates without regard to their so-called 'nationality', on the assumption that the control exercised by the S.S.S. was sufficient to keep the goods from enemy destination. This practice coincided with the theory that the S.S.S. was not only a blockade organization but an instrument

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1. FO-Grabt Duff, 29 February 1916, telegram, FO 382-1057-33424/16.
 2. Grant Duff-FO, 21 March 1916, dispatch, FO 382-1057-58155/16.

of maintaining or even of expanding British trade with Switzerland, and it must succeed. This policy was explicitly communicated on 7 April 1916 to the Swiss Federal Council who were assured that export licenses would be refused to S.S.S. firms only in exception-¹ally suspect cases. In the British way of thinking, the international obligations incurred by the signature of the S.S.S. agreement superceded the prohibitions of their own domestic Trading with the Enemy statutes.

The French did not share this view. During the negotiations for the S.S.S. in the summer of 1915, the French government made it clear that the provision (Article Three), whereby enemy subjects in Switzerland would be allowed to receive goods provided they were inscribed in the Commercial Register and were members of the S.S.S., would apply, as far as they were concerned, only to goods passing in transit through France, but that no French citizen could by law sell² goods to an enemy subject under any circumstances. To enforce this law the Comité de Restriction drew up a list of Swiss firms with 'enemy connections' and forbade French subjects to have any dealings² with them. This prohibition restricted French commerce with firms enrolled in the S.S.S. just at the time when the British were endeavouring to increase their exports to such firms in order to bolster the tottering structure of the S.S.S.

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1. FO-War Trade Intelligence Department, 23 October 1916, letter, FO 382-1095-208947/16.
 2. Bertie-FO, 30 December 1916, dispatch, FO 382-1557-1598/17.

To add to the already considerable confusion in this matter, the S.S.S. itself developed its own secret blacklist of firms for whom it would no longer act as consignee. This list included 56 firms or individuals (of which only 10 were to be found on the French list)¹ which had broken the S.S.S. regulations or were otherwise undesirable. Thus S.S.S. firms could appear on three black lists: on the British (for violating the rules of the S.S.S.) which made no real difference for they received consignments from third parties in their own syndicate in any case; on the French, which nullified the advantages of belonging to the S.S.S.; and on the secret S.S.S. list, which prevented their receiving consignments from the organization of which they were members. Only the Italians, ever ready to bargain, absolutely refused to blacklist firms which, they felt, did the Allies no good and the Swiss firms no harm.²

Obviously the solution to this confusion was to decide on a common set of norms which would give unity to Allied blacklisting policy. The economic conference of the Allies held in Paris in mid-June 1916 had recommended that laws and regulations should be brought into accord by prohibiting trade by Allied subjects with

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1. A copy of this list is found in FO 382-1074-202868/16.
 2. Rodd-FO, 14 October 1916, telegram, FO 382-1074-205592/16.

1. inhabitants of enemy countries whatever their nationality,
2. enemy subjects wherever resident, and
3. firms controlled by the enemy.

The problem of deciding whether a Swiss firm fell into one of these categories, and an understandable reluctance to abandon trade to foreign, though Allied, competition prevented the Allied and Swiss governments from ever adopting a common blacklisting policy.

The British Statutory List played host at times to some of the most famous names in Swiss industry, not excluding Brown, Boveri, and Company, Aubert Grenier, Jaeger and Company, Kunz A.G. of Windisch, and many others. Their inscription and ultimate removal followed a set pattern: accusation of violation of the S.S.S. rules, inclusion on the Statutory List, protests and investigation by Skipworth (and often by the S.S.S.), reconsideration by the War Trade Intelligence Department, ultimate rehabilitation and inscription on the British list of 'suspected firms' or complete removal from both lists.

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1. Recommendations of the Economic Conference of the Allies, Held at Paris on June 14, 15, 16 and 17 1916, Cd. 8271. (London, 1916).
 2. For Brown, Boveri and Company cf. FO 382-1081-6507, 27849, 43718, 46383/16. Rarely did an S.S.S. firm remain on the British A List for long. The payment of the fine imposed by the S.S.S. usually sufficed to regain the favour of the British blockade authorities.

The Foreign Office, whose confidence in the S.S.S. grew with the months, tended to despise the practice of blacklisting which they regarded as useless and unnecessarily irritating. S. Waterlow confessed privately to Craigie in 1917 that he could see no legal means to prevent a Swiss firm on an Allied blacklist, but not on the S.S.S. blacklist, from receiving goods from other members of its syndicate. 'The root absurdity of the position is that Allied governments should not (sic) black list firms without consulting with the Société Suisse de Surveillance Economique.'¹

The earlier practice of the War Trade Department of gaily blacklisting suspects on what the Foreign Office considered insufficient evidence of guilt weakened the authority of the S.S.S. and often put it in a ridiculous light. For their part the Swiss regarded this 'arbitrary' blacklisting as a breach of faith on the Allies' part, for the Swiss government had consented to the S.S.S. 'in the distinct belief that it would prevent external interference with Swiss commerce and thus enable the economy of the country to proceed as satisfactorily as possible'. Politically the practice of blacklisting was 'of more than doubtful wisdom'.² Skipworth felt that if the War Trade Department were free to refuse to allow certain firms to receive goods, the

1. Waterlow-Craigie, 9 April 1917, private letter, FO 382-1576-72915/17.

2. Grant Duff-FO, 21 February 1916, dispatch, FO 382-1060-38693/16.

S.S.S. agreement would be of no value to the Swiss, as by black-listing a sufficiently large number of firms, it would be rendered¹ useless for the purpose for which it was created. The British government managed through consultation and more precise investigation to keep the number of Swiss firms on their own blacklist to a satisfactory minimum consonant with the needs of the blockade and the dignity of the S.S.S.

The French government whose opinion in matters pertaining to the Swiss blockade had been regarded, since the Spring of 1915, as theoretically paramount, adopted the view that their own blacklist (including the names of Swiss firms) must be maintained and adopted² by the Allies until a proposed joint blacklist was drawn up. Their persistence was such that the Foreign Office, while expressing their regret at this attitude, were reluctantly forced to agree with the French policy, in spite of the assurance given the Swiss government in April 1916 that it was not their intention to refuse licenses for³ rationed goods on account of the character of the consignee. Faced with the choice of seeing British goods consigned to the S.S.S. detained in transit through France or of refusing the export license when the consignee appeared on the French blacklist, they decided to

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1. Skipworth-Grant Duff, 17 February 1916, letter, ibid.
 2. Bertie-FO, 22 January 1917, telegram, FO 382-1577-18245/17.
 3. Rumbold-FO, 13 March 1917, dispatch, FO 382-1578-57029/17.

choose the latter as being less harmful to all parties. They determined, however, to explain frankly to the Swiss government why it would be necessary in future to refuse export licenses in certain cases, and to disclaim all responsibility in the matter.¹

On 2 March 1917 the order was given to the War Trade Department to refuse export licenses to firms whose names appeared on the French blacklist.² It was made clear to the French government that the adoption of their blacklist entailed the withdrawal of an explicit assurance to the Swiss government, and the British government consented to do so most reluctantly until the completion of a joint blacklist in which the S.S.S. acquiesced.³ Preliminary work for the establishment of an agreed blacklist had been proceeding for some time in Berne between the Allied commercial attaches and the officials of the S.S.S. Grobet-Roussy showed himself amenable to the idea of a joint blacklist, but would not agree to listing firms on any other ground than that they had violated a regulation of the S.S.S. Piaton, the French attaché, wanted a list comprising all firms either of German association or working for the enemy, or guilty of trying to export goods of German origin to the Allies. Grobet-Roussy was joined by Craigie and Skipworth in his emphatic opposition to Piaton's proposals.⁴

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1. FO-Bertie, 2 February 1917, telegram, FO 382-1577-18245/17.
 2. FO-War Trade Department, 2 March 1917, Letter, FO 382-1577-44188/17.
 3. Bertie-FO, 27 February 1917, and FO-Bertie, 8 March 1917, both telegrams, FO 382-1578-46570/17.
 4. Acton (charge)-FO, 1 March 1917, dispatch, FO 382-1578-51294/17.

Meanwhile, Sir Horace Rumbold left a memorandum with Hoffmann which stated that the British government had found it necessary 'while disclaiming all responsibility' to conform to the French blockade practice and to refuse export licenses to Swiss firms on the French list. His government did so with the greatest reluctance, Rumbold added, and stated further that an anxiety not to be exposed to a charge of bad faith had prompted their frank account of the facts.¹ Piaton was irked by this disclaimer of responsibility, complaining to Craigie that the British government had unjustifiably placed the burden of responsibility for the adoption of the blacklist on the French government. Craigie rejoined that the British view was made perfectly clear to Paris, and he added he was personally of the opinion that there was no advantage in any case in the adoption of a blacklist for S.S.S. firms. Actually Piaton himself shared² this opinion.

Waterlow's minute on Craigie's report of the situation in Berne provides an interesting insight into Anglo-French blockade relations:

I cannot repress a feeling of satisfaction that, for once in a way, the consequences are brought home to the French government of their having precipitately insisted on the wrong course...we can leave it to the French to clear up the mess they have created. Personally I think that, Switzerland being very strictly

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1. Rumbold-Hoffmann, 9 March 1917, memorandum, FO 382-1578-57029/17.
 2. Rumbold-FO, 29 March 1917, with a memorandum of Craigie, dated 27 March 1917, FO 382-1578-70419/17.

rationed and S.S.S. control super-excellent, the whole business of Blacklists is now futile. The inconveniences, both commercial and political, which it causes, are out of all proportion to the good results. 1

The business of developing a joint blacklist dragged on for the last year and a half of the war in a series of tedious meetings and in endless correspondence between the Allies and the Swiss. During this time the British licensing authorities were forced to conform to the French blacklist, though presumably the Swiss firms so affected continued to receive goods through third parties in the S.S.S. Legally this practice left much to be desired, but as a practical answer to the problem imposed by the French government's unyielding insistence on their blacklist it worked so well that neither the Swiss nor the British governments were at all anxious to see the joint list completed and so exercised considerable ingenuity in delaying its completion. The Swiss government naturally had no intention of seeking to alter a situation which favoured their foreign trade, and the British were not only happy to deliver their exports to Switzerland but derived unanticipated benefits from the investigation of suspect firms in the course of preparing the proposed joint blacklist. Craigie observed in the Spring of 1918 that the joint investigations had so far given excellent results for under the cloak of preparing the list in

1. Waterlow's minute, ibid.

association with the S.S.S. Allied investigators had for the first time been able to enter, as a matter of right, the premises of firms belonging to the S.S.S. and to make a thorough survey of their enterprises.¹ The continuation of these enquiries depended on continued interest in the development rather than in the completion of the joint list.

The French government, on the other hand, pressed on with austere logic to complete the joint list in order to close the loopholes by which Allied goods legitimately found their way to firms on the French blacklist. A number of firms which were known always to have had a close trade relation with the United Kingdom were included on this list 'with little evidence of guilt'. Sir Horace Rumbold saw this as a further indication of a general tendency known to exist among members of the French blacklist committee to place restrictions on Swiss trade with Great Britain, and to justify their action with the argument that while the British, with their vast merchant fleet, would be able immediately after the war to secure markets overseas, the French must content themselves with securing a predominant economic position in European nations like Switzerland. Rumbold alleged that a M. Kammerer, the special French delegate investigating firms on the French blacklist, had informed these firms that the boycott against them would be lifted if they agreed to

1. Craigie's report on the Joint Blacklist, 20 March 1918, FO 382-1976-56478/18.

take 'a special interest' in French trade and observe the utmost¹ secrecy in this regard vis à vis the other Allies.

The joint blacklist finally agreed on by the Allies and the S.S.S. after several drafts was presented to the Swiss government in a note only on 25 October 1918, several days before the armistice.² On 11 November the list became a dead letter and so was decorously and quietly buried by Sir Horace Rumbold who informed the Swiss government unofficially during the armistice period that they need³ not reply to the note. By then its authors were too busy revitalizing trade with Switzerland to mourn the fate of the stillborn blacklist.

During the course of the war then, as we have seen, the S.S.S. came to be regarded as the best and most efficient instrument of blockade devised by the Allies. It gained this reputation in the face of, at times, serious opposition at home and abroad.

In the months following its creation, the S.S.S. seemed in danger of collapse under the vigorous attack directed against it by public opinion in Switzerland. It was largely due to the Foreign Office's confidence in the soundness of the S.S.S. as a blockade

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1. Rumbold-FO, 27 July 1918, dispatch, FO 382-1976-134161/18.
 2. Paul Cambon-FO, 25 October 1918, letter, FO 382-1977-178728/18.
 3. Rumbold-FO, 24 December 1918, telegram, FO 382-1977-211595/18.

instrument and their desire to ensure its survival that this period witnessed a change in Great Britain's diplomatic posture towards the Confederation. Before the establishment of the trust, the Foreign Office had prodded the Federal Council to accept the organization by withholding shipments of essential commodities and by adopting a generally unco-operative attitude to Swiss commercial interests. After the trust's acceptance, the Foreign Office did all in their power to strengthen the authority of the organization against domestic opposition by filling its every legitimate request. Doubtless this policy was not innocent of commercial motivation, but whatever the reasons, it drew the two governments closer in a spirit of co-operation.

Simultaneously the policy of accommodation brought the Foreign Office into conflict with French interests, both commercial and legal. French exporters were chagrined to see British rivals gaining a foothold on hitherto sacrosanct areas of French interest in Switzerland, and sought redress through their government agencies concerned with transportation and blockade. The Fourth Bureau of the Ministry of War co-operated with greater efficiency than legality in obstructing the delivery of British goods to Switzerland over French rails, while the Ministry for Foreign Affairs did their part by forcing on the British the adoption of the black list (à propos Swiss firms) proposed by the interministerial Blacklist Commission.

The threat of similar treatment of French exports to Scandinavia and the Netherlands, combined with continuous representation to Briand, ultimately removed the obstacles to transporting goods across France, and an unspoken conspiracy between the British and Swiss authorities obviated the difficulties imposed on Anglo-Swiss trade by the French blacklist. Far from being a decisive element in Anglo-Swiss relations, as had been feared by both sides during 1915, the S.S.S. became a source and symbol of their mutual trust and co-operation.

The strength of the organization grew with the months and criticism gradually subsided as it won the confidence of both the Swiss business community and the government. Toward the end of the war the Federal Council took the extraordinary step of decreeing that the decisions of the S.S.S. to impose fines on firms which had violated its rules would have obligatory force, would be without appeal and would be subject to no species of revision by judicial authorities.¹ Business men saw the value of co-operation

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1. Arrêté du Conseil fédéral concernant les amendes prononcées par la SSS et la STS ainsi que la réalisation forcée des marchandises importées par leur intermédiaire (du 29 Octobre 1918): 'Conformément aux dispositions particulières en vigueur pour la société suisse de surveillance économique (S.S.S) et l'office fiduciaire suisse pour le contrôle du trafic des marchandises (S.T.S.), toutes les décisions par lesquelles ces institutions infligent des amendes ont force obligatoire et sont sans appel. Ces décisions ne peuvent être soumises à aucune espèce de révision de la part des autorités judiciaires.' cf. H.E. Duttwyler, Der Seekrieg und die Wirtschaftspolitik des Neutralen Staates (Zürich, 1945), p.142: '...so erscheint es unglaublich was für Kompetenzen hier privaten Vereinigungen zum grossen Teil im Interesse des Auslandes übertragen wurden.'

with the Society and as its procedures became more familiar, imports were delivered with a minimum of inconvenience. The Foreign Office found in the organization a more than satisfactory solution to the problem of channeling British exports to desirable consignees.

On 23 February 1916, the various blockade committees and commissions, which often duplicated one another's work, were placed under the unified direction of a newly created Ministry of Blockade¹ under Lord Robert Cecil. To keep pace with this change in the British government, the French raised Denys Cochin, the president of the Comité de Restriction to ministerial rank on 23 March 1916, though the formation of a separate French Ministry of Blockade was² delayed until November 1917.

Before the war the post of British minister at Berne had been reserved usually for young diplomats for a short time at the beginning of their career or for older men in their last years before retirement.³ Evelyn Grant Duff appears to have fallen into the latter category though he was only in his early fifties when he was appointed to the post in August 1913. As the strategic importance

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1. Bell, Blockade, pp.449-454. As Cecil remained Under-secretary of State for Foreign Affairs, the influence of the Foreign Office remained dominant in blockade matters.
 2. Guichard, op.cit., pp.68-72, 112.
 3. Uhl, op.cit., p.39.

of the Legation in Berne became clearer during the course of the war, the Foreign Office became anxious to strengthen the staff with the best men available. Grant Duff, who in the opinion of the Political Department had not always made the Swiss viewpoint sufficiently clear to the Foreign Office,¹ was replaced by Sir Horace Rumbold in September 1916. Sir Horace, who had been Charge in Berlin just before the war and afterwards head of the Prisoners of War Section of the Foreign Office, brought with him a capability and a forcefulness which inspired confidence in his staff and respect among the Swiss.

At the same time Robert Leslie Craigie was sent out from the Contraband Department of the Foreign Office to Berne with the title of Secretary of the Legation to direct the Swiss blockade from nearer at hand. He and Sir Horace arrived just as the Swiss were signing the General Commercial Agreement of 2 September 1916 with the Germans. Their first task then was to advise the Foreign Office on the stand to be adopted by the British government in these new circumstances.

1. Carlin-Pol. Dept., 20 January 1915, dispatch, Pol. Dept. 2001 (k), Schachtel, 54.

VISUPER-EXCELLENT CONTROL

The course of Anglo-Swiss commercial relations from the beginning of 1916 until the end of the war was set by the pattern of the S.S.S. regulations, for the Ministry of Blockade endeavoured to achieve their aim of intensifying economic pressure on the Central Powers during this period dimply by exercising the rights conceded to them by the S.S.S agreement. Both the Swiss and the two groups of belligerents felt satisfied in the early months of 1916 that a balance had been struck in the control exercised respectively by the S.S.S. and the Treuhandstelle, but the signing of the Swiss-German agreement of 2 September 1916, in the judgment of the Allies, tipped the balance in Germany's favour. Consequently the Allies adopted in late 1916 and early 1917 a policy aimed at re-establishing equality of treatment through stricter interpretation of the rules of the S.S.S.

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Patticularly galling to the Foreign Office were two clauses in the Swiss-German agreement according to which, first, an estimated 40,000 head of cattle were to be delivered to Germany before May 1917 and, second, firms working for the Allies would receive no further coal from Germany.

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1. Since the Ministry of Blockade was housed in the Foreign Office and staffed by Foreign Office officials, the term 'Foreign Office' will be employed in this context as a general term for the blockade officials.

The 'cattle clause' was especially offensive as the Swiss had several weeks before signing the treaty with Germany requested and obtained from the C.P.I.C. an increase of twelve per cent in their fodder ration. As fodder and cattle were 'in many respects interchangeable', Owen O'Malley regarded Allied fodder as being driven across the German frontier in the form of a native Swiss product, and suggested a corresponding reduction in the Swiss ration of fodder, and also, for good measure, of rice, foodstuffs, and livestock.¹ This suggestion was endorsed by the Foreign Office, and the French were invited to join in presenting the Swiss government with a choice: either eliminate cattle exports to Germany, or accept a reduction in fodder, rice, and alimentary fats.²

The British reasoned that any export of livestock would leave fewer cattle to be fed in Switzerland and therefore, if the Swiss persisted in selling animals to the Germans, a reduction in their fodder supply would be called for. The French, on the other hand, argued that a reduction in fodder supplies would actually have the opposite and undesirable effect of increasing exports of cattle to Germany because they could no longer be fed by the Swiss. The French maintained that the Allies' hands were tied in this matter, and they were in fact right, because the Swiss actually had a surplus of cattle (172,000 head

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1. Minute by O'Malley on Grant Duff-FO, 9 September 1916, telegram, FO 382-1089-179566/16. It should be recalled that Switzerland was far from being agriculturally self-sufficient and had to import most of its foodstuffs.
 2. FO-Bertie, 16 September 1916, ibid.

over the 1911 figure) and, as they were already suffering from a¹ lack of fodder, any reduction in the fodder supply must necessarily have led to further cattle exports to Germany. Briand therefore suggested that the Allies content themselves with a protest against² the cattle deal and a general threat to reduce all Swiss rations.

With regard to the 'coal clause' the Foreign Office reacted to the news that firms working for the Allies would receive no more German coal by threatening to institute a Swiss section of the Statutory Blacklist which would include Swiss firms though they might³ be members of the S.S.S. Sir Horace Rumbold deprecated this threat on the grounds that it would cause unnecessary distress to the Federal Council who had prided themselves on confining the German demand for a coal boycott on all firms engaged in any sort of commerce with the Allies to only those firms which produced munitions for the Allies. Rumbold felt 'it would perhaps be going a little far to insist that the Swiss government ought to ensure the supply of German coal to factories actually making munitions of war for the Allies'. Besides, the power exercised by the S.S.S. had never been stronger and the

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1. Rumbold-FO, 23 September 1916, telegram, FO 382-1074-190205/16. Also, Guichard, op.cit., p.221.
 2. Briand-Bertie, 1 October 1916, letter, FO, 382-1074-207449/16.
 3. FO-Rumbold, 19 October 1916, telegram, FO 382-1074-204014/16.

Allies had obtained such control over goods imported under the aegis¹ of the Society as existed in no other neutral country. There seemed to him no reason 'to rock the boat' in this regard.

But in London the suspicion prevailed that the Swiss government might welcome a little pressure to strengthen their hands against further German demands since the coal boycott, though restricted, had stirred Swiss industrialists to general indignation. Rumbold was therefore informed that the Allied governments found it impossible to acquiesce in the altered circumstances brought on by the 2 September agreement, for abnormal exports of cattle to Germany called for reconsideration of the rationing policy regarding fodder, fats, and foodstuffs, while the German coal boycott made Allied discrimination² against firms making munitions for Germany not only just but inevitable.

These deliberations resulted in a joint Allied note of protest being delivered to the Swiss Political Department on 7 November 1916, two months after the conclusion of the Swiss-German agreement. This note expressed surprise that Switzerland would allow herself to be forced to sell cattle to Germany in exchange for coal whose delivery had been guaranteed to Switzerland by agreement before the war. Since

1. Rumbold-FO, 9 October 1916, dispatch, FO 382-1074-207510/16.

2. FO-Rumbold, 27 October 1916, telegram, FO 382-1074-207510/16.

unfair advantage was given to the Germans by the cattle clause the Allies were forced to make four counter demands:

- a) a lowering of the tolerance (authorized by the S.S.S. regulations) of Allied materials in goods exported to Germany,
- b) an embargo on lubricating oil for factories making arms, munitions, and explosives for Germany,
- c) an interdict on the use of copper, received after 18 November 1916, for wires and electrical machinery bringing energy to Swiss factories producing war goods for Germany,
- d) a prohibition on the export of hydro-electric machinery and of cotton products to Germany.¹

These reprisals were intended to counter also the restrictions on the employment of German iron, coal, and machinery for the manufacture of Allied war material.²

Hoffmann received this verbal note with a very ill grace, and his serious annoyance was patent to the Allied ministers. Marquis Paulucci de Calboli later observed to the British Minister that he had never seen the Minister for Foreign Affairs so disturbed.³ The delivery

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- 1. Allied Ministers in Berne-Political Department, 7 November 1916, joint Note verbale, FO 382-1075-228019/16. The Swiss referred to this note somewhat derisively as the 'Schmieröl Nöte'
 - 2. cf. N.B. VI (9 March 1917), pp.1-4.
 - 3. Rumbold-FO, 8 November 1916, telegram, FO 382-1075-225056/16.

of the note was ill-timed, for only an hour before Hoffmann had accepted the figures for the number of prisoners of war to be interned in Switzerland by the favour of the Swiss government (30,000 men), a work which he considered more important and more humane than the blockade. The constant harrassment of Switzerland in matters of blockade by both sides profoundly discouraged him, and the Swiss debt of 800 million francs was a constant source of anxiety.¹ Craigie and Rumbold went carefully over the note, and a few days later Rumbold called on Hoffmann in the company of M. Dunant, who had arranged the details of the prisoners of war agreement, in an attempt to soothe the Foreign Minister's feelings.

Hoffmann gave the formal reply of the Federal Council to the Allies in a skillful note verbale on 15 November 1916. He observed that the rules of the S.S.S. restricted Swiss industry much more than the Swiss-German arrangement had, and these rules amply sufficed to prevent the export to Germany of war material. The Swiss government had never received from the German government assurance that coal would be furnished, far less unconditionally furnished, but only an assurance 'qu'aucun obstacle ne servait mis aux transports du charbon'. The agreement of 2 September had distinguished between war material in the narrow sense (weapons, explosives, and munitions) in the production of

1. Rumbold-FO, 9 November 1916, dispatch, FO, 382-1075-228003/16.

which German raw material and coal were prohibited, and war material in the broad sense (machinery for the manufacture of war material, searchlights, and so forth) for which German raw material but not coal was prohibited. On nothing else was the boycott laid. The charge against the Swiss government of accepting inequality of treatment was therefore unjust, as were the Allied governments' restriction on the use of lubricating oils, which unequivocally violated the spirit of the S.S.S. Hoffmann concluded by proposing a conference with Allied representatives to discuss the whole matter.¹

Rumbold warmly recommended Hoffmann's proposal to the Foreign Office as public opinion in Switzerland had turned against the Allies since the publication by the Federal Council of a summary of the Allied note of 7 November. The Federal Council had not consulted the Allies previous to its publication though, after the note was handed to him, Hoffmann had threatened to publish a 'Red Book' containing the note which was 'sure to alienate Switzerland'.² The Swiss press, especially the Neue Zürcher Zeitung, was extremely critical of the Allied note, and even the friendly Journal de Genève failed to express their customary approval of Allied policy.³ Rumbold suspected that

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1. Pol. Dept.-Allied Governments, 15 November 1916, note verbale, FO 382-1075-234266/16. Rumbold-FO, 17 November 1916, telegram, FO 382-1075-232007/16. cf. N.B. IV (9 March 1917) pp.6-7.
 2. Rumbold-FO, 9 November 1916, dispatch, FO 382-1075-228003/16.
 3. Rumbold-FO, 20 November 1916, dispatch, FO 382-1075-238907/16.

the Swiss General Staff were using the note of 7 November to stir up public opinion against the Allies, and felt it would be unwise to take further steps to antagonize the Germanophile party.¹

Allied expressions of surprise and indignation at the German coal boycott rang somewhat false, however, as long before the presentation of the note of 7 November steps had been taken to provide firms producing munitions for the Allies with coal and iron to counteract a possible German embargo. In August Skipworth had evolved a scheme to group all firms working for the Allies in a Coal Union. This organization, under the direction of a M. Philippe Girod of Geneva, would pool available stocks and would receive a regular minimum supply of coal from France and Great Britain, which would be distributed to member firms, with special preference to munitions manufacturers.²

The coal requirements of chemical and munitions firms boycotted by Germany was estimated at 5,000 tons a month. Half this amount could easily be supplied by the British, and very cheaply if it were purchased from Admiralty stocks, and taken by ship to Rouen, and thence by barge and rail to Delle, Vallorbe, or Bellegarde.³ When the details of the Swiss-German agreement, distinguishing the three grades of war material, became known, Captain Piaton of the French Embassy discovered that the

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1. Rumbold-FO, 20 November 1916, telegram, FO 382-1075-233870/16.
 2. Skipworth-Grant Duff, 11 August 1916, report, FO 382-1093-159494/16.
 3. Unsigned memorandum on the Swiss coal supply, 18 September 1916, FO 382-1094-185160/16.

affected firms (i.e., those making weapons, explosives, and munitions for the Allies) would require only 1000 tons a month, a figure representing less than the amount the Allies would have had to provide for firms on the German blacklist which the 2 September agreement had suppressed !¹ The French agreed to supply this small amount themselves,² while the British began to export 500 tons a month of pig iron to Swiss firms providing Allied munitions.³ Meanwhile a list of firms making munitions for Germany was compiled, with a view to embargoing their supply of lubricating oil.⁴

The conference suggested by Hoffmann took place in Berne in fourteen meetings between 18 December 1916 and 23 January 1917,⁵ and met again during March. The Allies maintained that Swiss factories were kept going no less by Allied deliveries of food than by German

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1. Skipworth-Rumbold, 7 October 1916, Report on the coal supply, FO 382-1093-206539/16.
 2. Bertie-FO, 6 November 1916, telegram, FO 382-1093-227209/16.
 3. Ministry of Munitions-FO, 10 November 1916, letter, FO 382-1075-227170/16.
 4. Rumbold-FO, 6 November 1916, telegram, FO 382-1075-228011/16.
 5. The Swiss were represented by Grobet, Schmidheiny, Dr. E. Laur of the Bauernsekretariat, and Dr. J. Käppeli, chief of the agricultural section of the EVD. Piaton, Carletti, Craigie, Skipworth, and E.E. Sawyer of the Ministry of Munitions represented the Allies. The procès verbaux are found in FO 382-1567-22761/17.

deliveries of coal. If the Germans could regulate the coal supply, the Allies could with equal right diminish food exports to the Swiss: therefore they threatened a reduction in quotas of the supplies they delivered to the S.S.S. Furthermore, they felt it was outrageous that Swiss agricultural products, especially cattle fattened on Allied fodder, should be delivered to the enemy and demanded greater control over these exports. The Swiss representatives refused, of course, to accept the principle of limitation of their agricultural exports, and presented counter proposals, demanding large increases in fodder rations from the Allies in return for selling cattle to them rather than to the Germans.¹

When the Swiss persisted in these demands, Rumbold sought an interview with Edmund Schulthess, Chief of the Department of Public Economy, who was also President of the Confederation for the year 1917, to discuss the agricultural problem. Schulthess rejected the suggestion of cattle export control, maintaining it would affront Swiss pride to see Allied control extended over Swiss domestic products, as it was vital for Switzerland to retain free control over sufficient quantities of agricultural products to pay for purchases from Germany of coal, iron, fertilizers, and potatoes. Far, however, from being adverse

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1. In return for the sale to France, rather than to Germany, of 40,000 head, the Swiss asked for increases in oil cake (to 80,000 tons in six months), maize (to 50,000 a year), oleaginous seeds (to 12,500 tons a year), and linseed (to 16,000 tons a year). Rumbold-FO, 3 January 1917, telegram, FO 382-1567-3123/17.

to limiting exports to Germany by selling the greater part of available cattle to France, he heartily approved of this measure, since the general economic agreement with Germany was due to expire on 1 May 1917, and afterwards, in the new negotiations, the Germans would presumably exact from the Swiss as much as they could. If the Swiss had already disposed of a large quantity of their surplus agricultural produce through sales to the Allies, the Germans could make fewer demands on Swiss resources. Schulthess was aiming at 'the minimum which we shall have to give to Germany in the Spring'. At least 10,000 head of cattle would be available for export to the Germans in 1917, and this number would increase to possibly 150,000 if the Allies carried through their ill-advised scheme of reducing fodder imports to Switzerland. But Allied cattle purchases and a reasonable policy on fodder would enable the Swiss to maintain greater independence vis à vis the Germans. ¹

The Allied governments were impressed with the reasonableness of Schulthess's arguments, but were unable at once to find sufficient fodder to secure the option on a cattle purchase. Both Italy² and Great Britain were themselves suffering from fodder shortages through

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1. Rumbold-FO, 10 January 1917, dispatch, FO 382-1567-11576/17.
 2. Rodd-FO, 16 January 1917, telegram, FO 382-1567-12787/17.

lack of tonnage to bring what they needed from America, so Lord Robert Cecil sounded out Denys Cochin on the possibility of the French government buying the cattle and maintaining them in France which would be 'safer and more economical' than straining ship and rail resources in forwarding enormous quantities of fodder to Switzerland.¹ The approximate cost of 50,000 head was estimated at £2,000,000.² As the French balked at paying so large a sum, the Allies decided to sign a preliminary agreement with the Swiss regarding the other points raised in the exchange of notes during November, and leave the cattle question for further negotiation.

These negotiations for further restricting Swiss commerce by tightening S.S.S. control were carried on in two sessions during the winter of 1917 and culminated in the signing of the agreements of 23 January and 20 March 1917. The Allies were motivated more by political than economic factors, and sought in these negotiations not so much to inhibit Swiss commerce as to satisfy public opinion (especially in the French speaking cantons) that they were not prepared to cede advantages to the Germans.³ Allied prestige, which had presumably been diminished by the German success of 2 September 1916, was to be restored by a show of strength in these negotiations.

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1. Cecil-Denys Cochin, 11 January 1917, letter, FO 382-1567-5820/17.
 2. Rumbold-FO, 23 January 1917, telegram, FO 382-1567-18757/17.
 3. Bell, Blockade, p.518

The original proposals recommended to the French government on 3 November 1916 by the Comité de Restriction to form the basis of Allied demands called for a sharp reduction in Swiss rationing quotas. Switzerland had been rationed as regards 205 articles; it was now proposed to diminish her quota in respect of 102 of them, and to eliminate it altogether in the case of 21 others. These measures would entail a reduction of Allied imports into Switzerland by 33 per cent.¹ In addition, the Foreign Office gave every indication of insisting on the demands made in the joint note to the Political Department on 7 November 1916.²

Fortunately for both sides, cooler heads prevailed in the negotiations and the Allies, after an initial show of severity, receded a good deal from their original demands. A great number of questions was discussed in the two sets of negotiations, as, for example, the use of Allied lubricants, the employment of copper in electric installations, ~~the employment of copper installations~~, the amount of Allied matériel to be allowed in finished exports to Germany, various quota restrictions, and the question of Swiss exports through Germany to the northern neutrals.³ In the final settlements it was agreed that

1. Guichard, op.cit., p.222.

2. cf. Cornaz, op.cit., pp.34-35.

3. A complete list is found in the S.S.S. R.I, pp.116-117.

Swiss firms making munitions for the Central Powers should obtain lubricants only from them, the efficiency of the S.S.S. was augmented through several technical measures, some reductions in rationing quotas were enacted (though not on the scale of the Comité de Restriction's suggestions), various restrictions were imposed on the export to the Central Powers of cotton (2,000 tons a year), silk, linen, tobacco, lead, and copper, and the use of copper wires and the like in Swiss plants generating electricity for the Central Powers was interdicted.¹ On the other hand, the Allies allowed greater liberty to the Swiss in exporting to Holland and Scandinavia goods obtained through the agency of the S.S.S.,² and pledged themselves to supply sufficient coal to firms which continued to manufacture machines for the Entente.

In spite of their menacing start, the outcome of these deliberations was mutually satisfactory, for while the Allies were persuaded they had preserved their political honour in redressing the

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1. FO 382-1567-22761/17 contains a summary explanation and the text of the agreement of 23 January 1917. cf. Bell, Blockade, pp.520-521. Captain Piaton was authorized to arrange for the transmission of surplus electric current to France and the Swiss undertook to supply France with 15,000 kilowatts from the power station at Olten Groesgen. The Société Motor de Baden was meanwhile supplying Germany with 23,000 kilowatts. H. Goodhart (chargé)-FO, 27 December 1916, dispatch, FO 382-1567-1677/17.
 2. Cornaz, op.cit., p.35, note 18.

supposed injury done by the Swiss-German accord of 2 September 1916, the restrictions imposed on the Swiss were sufficiently counter-balanced by concessions that their national pride remained intact. The genteel art of diplomacy found a place even in the work-a-day world of the blockade.

Further discussions on the cattle question were conducted in Paris during the Spring of 1917. The French government, as has been said, thought too costly the plan whereby Swiss cattle were to be purchased, maintained in France throughout the war, and used for re-stocking the invaded provinces when peace came, but they agreed to study the possibility of slaughtering the animals for meat for the army.¹ The Swiss seemed amenable to retaining 40,000 to 50,000 head for a year if the Allied Shipping Control in London would put aside one extra 5,000 ton steamer a month to carry fodder to French and Italian ports for delivery to Switzerland.²

An enquiry into the available supply of fodder for the Swiss disclosed that the Swiss government owned 10,000 tons of oil cake in Italy, although the Italians claimed it was their own and refused to

1. Bertie-FO, 29 January 1917, telegram, FO 382-1567-22916/17.

2. Rumbold-FO, 26 January 1917, telegram, FO 382-1567-24721/17. The merchant navies of the Entente were put under control of this central authority which allotted tonnage according to needs and priorities of the war situation. The Swiss 'ration' of ships was ten, of about 5,000 tons apiece.

forward it to Switzerland.¹ Actually, as Rumbold discovered, the cake did belong to the Swiss but the Italian government were attempting to use this, and a supply of oleaginous seeds (8,000 tons) detained at Genoa, as a pawn in bargaining for a separate agreement to obtain certain materials from the Swiss rather than in the general interest of the blockade.² Waterlow observed that 'the Italians are very mauvais coucheurs', and Schmidheiny discovered from his own investigations of the matter that there was no shortage of oil cake in Italy, as the Italian government had claimed, but, on the contrary, there were large stocks which oil cake manufacturers were anxious to get rid of.³ He corroborated Rumbold's opinion that the Italians were holding the seeds and cakes not for home consumption but for future and separate bargaining with the Swiss.⁴ The Federal Council were outraged by this attempt at extortion, and gave Rumbold reason to believe that they would break off discussion of the cattle question if the Italians were allowed to persist in their attitude.⁵ Ultimately,

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1. Rodd-FO, 4 February 1917, telegram, FO 382-1567-27881/17.
 2. Rumbold-FO, 17 February 1917, telegram, FO 382-1567-37759/17.
Rumbold-FO, 24 February 1917, telegram, FO 382-1567-42529/17.
 3. The British Ambassador in Rome flatly denied this. In fact, he stated, Italian cattle were being slaughtered because of insufficiency of fodder. Rodd-FO, 2 March 1917, telegram, FO 382-1567-50411/17. In any case, there was a certain amount of fodder in Italy which rightfully belonged to the Swiss and which the Italians refused to release.
 4. Rumbold-FO, 17 March 1917, telegram, FO 382-1568- 57912/17.
 5. Rumbold-FO, 5 March 1917, telegram, FO 382-1568-49229/17.

a compromise was reached whereby the Italians delivered half the fodder at once and the other half in the autumn of 1917.

Meanwhile the French appeared to have lost all interest in buying up surplus Swiss livestock even for military supplies. Denys Cochin mentioned to Bertie that he regarded the cattle purchase plan costly and useless, and he 'attached no importance to the contingency that 80 to 100,000 head of cattle might be exported to Germany.'¹ He insisted it was France which would have to bear the cost of purchasing the cattle and of feeding them, and in return for these liabilities she was to have the privilege of acquiring a commodity she did not want, since there were then more cattle in France than at the start of the war.² He saw no profit, as Craigie had suggested to him, in speculating in Swiss cattle to be sold at 'inflated' prices after the war in Belgium and the devastated provinces of France.³

More clearly to make his point, Cochin crossed over to Folkstowe in a French destroyer to meet S.P. Waterlow.⁴ He said he would have none of the proposed scheme to minimize livestock exports to Germany

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1. Bertie-FO, 9 March 1917, telegram, FO 382-1568-51460/17.
 2. Bertie-FO, 10 March 1917, despatch, FO 382-1568-55285/17. Denys Cochin had apparently entered on a personal vendetta against the Swiss. Waterlow commented in a related file: 'M. Cochin, obsessed with the notion that Switzerland makes munitions predominantly for Germany, has become so impervious to facts that I do not see what we can do'. FO 382-1568-53266/17.
 3. Craigie-Cochin, 5 March 1917, letter, FO 382-1568-50734/17.
 4. General Lyautey, Minister of War, and Rear Admiral Lacaze, Minister of Marine, were at this time pressing Cochin to reduce supplies to Switzerland which they considered excessive in themselves, and putting undue stress on French transport facilities. Guichard, op.cit., pp. 222-223.

(France to purchase half the Swiss cattle surplus, the Italians to deliver oil cake, the Allies to provide shipping for 25,000 tons of fodder till August, the Swiss to sell four times as much condensed milk to the Allies as to the Central Powers) so long as the compulsory purchase clause remained. If the British Treasury were willing to underwrite the entire cost of purchasing the livestock, he would consent, but since this seemed improbable, he proposed instead that the Swiss be pressured into limiting their cattle exports to Germany to 30,000-40,000 head and into reserving 28,000 tons of condensed milk for the Allies under the sole condition that the Allies promise to facilitate the transport of fodder to the Confederation.

Waterlow was sceptical about the Swiss agreeing to these terms, and told Cochin as much, but the French Minister 'in a manner (as Waterlow reported) that struck me as a little smug' was confident he could get the Swiss to agree. Waterlow thought this 'unlikely'. Crowe thought it 'disappointing'.¹

At the same time Rumbold was reporting that he had learned from private sources that Denys Cochin's intransigence was due to the influence exerted on him by M. Branet, M. Chappuis, 'and other fire-brands' representing agricultural constituencies in the French Chamber of Deputies.² Craigie in a private and very confidential letter to

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1. Memorandum by Waterlow on his discussion with Denys Cochin, 31 March 1917, FO 382-1569-67528/17.
 2. Rumbold-FO, 31 March 1917, telegram, FO 382-1569-68695/17.

Waterlow referred to the latter's discussion with Denys Cochin:

I am sorry that our pig-headed old friend was not brought to accept our cattle proposal, though you clearly did your best. You will realize, of course, that it is the political influence at home of the agricultural deputies which is making him so impossible over this question. They are afraid that the French farmers will not be able to get such ruinous prices for their cattle when the moment comes for re-stocking the invaded provinces if there is a considerable influx of Swiss cattle ! I know this to be a fact and it throws an unpleasant sidelight on French politics. 1

But Denys Cochin, to the amazement of the British, succeeded in inducing the Swiss to accept his own proposal. When Schulthess had been first sounded out on limiting the export of cattle to Germany, he declared with irritation that the suggestion amounted to an infringement of Swiss sovereign rights, and refused to entertain any proposal to restrict purely domestic produce. But on 18 April 1917 when Denys Cochin propounded the same suggestion to Grobet-Roussy on the latter's visit to Paris, it was favourably received: Schulthess seemed prepared to accept the limitation of export which he had so indignantly rejected a couple of months previously.²

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1. Craigie-Waterlow, 5 April 1917, private letter, FO 382-1569-75389/17.
 2. Rumbold-FO, 23 April 1917, dispatch, FO 382-1569-86409/17. Rumbold went on to complain of the 'behind the back tactics' of Denys Cochin for not making these arrangements through the ordinary diplomatic channels.

An explanation of the Swiss reversal is to be found in two letters from Ernst Laur to Schulthess written from Paris in early May. In an interview, Cochin had given Laur 'einen ungünstigen Eindruck' of stubbornness when the cattle question was raised. Laur had puzzled over how to minimize cattle exports to Germany if the French did not purchase the animals, and could only hope the war would come to an end before German demands for livestock became excessive.¹

The second letter was even more ominous:

Es kann kein Zweifel bestehen dass in Frankreich ein steigernder Unwille gegen die Neutralen herrscht. Der Schweiz wird namentlich die Viehausfuhr vorgeworfen und gestern noch brachten mehrere Zeitungen eigentlich bössartige Artikel gegen unser Land.

Laur understood from the members of the C.P.I.C. that a Swiss delivery of 30,000 head of cattle to Germany would cost Denys Cochin his ministerial post, which accounted for the latter's unyielding attitude. He felt the Swiss should give in because they could not afford to break with France, especially since the entry of the United States into the conflict on 6 April. 'Wir brauchen Frankreich als Fürsprecher bei den Vereinigten Staaten, damit es uns nicht geht wie den nordischen Staaten'.² Since Germany was certain to impose harsh

1. Laur-Schulthess, 6 May 1917, letter, Nachlass BR. Edmund Schulthess (1912-1935), Schachtel 4.

2. There were rumours that the United States would impose boycotts on all the neutrals until they agreed to eliminate all re-export to Germany. This was in fact done on 9 July 1917.

demands in the next economic agreement, the Swiss must keep in the good graces of the Allies.¹

The Federal Council, apparently convinced that dealing with the devil they knew was safer than trying their luck with Denys Cochin's successor, tentatively accepted Cochin's proposals even though they implied an abdication of Swiss sovereignty over the use of her own produce. The Swiss were free to accept these proposals for although the Swiss-German agreement of 2 September 1916 had terminated on 30 April 1917, the uncertainty of the military situation in the east after the first Russian revolution, the apparent success of unrestricted submarine warfare (began on 1 February 1917), and an unwillingness to restrict their commerce longer than wartime conditions required, had induced the German government to settle for a three month prolongation of the existing commercial treaty, without presenting fresh demands to the Swiss.² The Federal Council, greatly relieved at this turn of events, authorized the Swiss negotiators in Paris to sign the 'Cattle Export' Agreement with the Allies on 12 May 1917.³

1. Laur-Schulthess, 10 May 1917, letter, Nachlass BR. Edmund Schulthess (1912-1935), Schachtel 4.

2. cf. Rumbold-FO, 24 April 1917, dispatch, FO 382-1569-83039/17.

3. The Swiss government sent Grobet, Chuard, Paul Robert, and E. Laur to these negotiations.

This agreement embodied the concessions won by Denys Cochin, viz., a clause limiting Swiss cattle exports to 30,000 until 15 March 1918, without compulsory purchase by the Allies.¹ If circumstances forced the Swiss to export more, the Allies were to have the option of buying the livestock or of supplying more fodder.² The Allies were to receive until 15 March 1918 70 per cent of the Swiss export of condensed milk, the Central Empires 20 per cent, and the neutrals 10 per cent.³ Switzerland agreed to deliver to the Central Empires no more than three-quarters of the average butter and cheese export to those countries for the years 1911-1913. Other clauses in the treaty provided for shipping facilities (eleven ships were to supply Swiss needs until 30 September, and ten thereafter), Allied deliveries of fodder, copra and copra oil, and copper sulphate, and Swiss deliveries of wood to France and Italy.⁴

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1. As the Swiss, in the 2 September 1916 agreement with the Germans, had pledged the delivery of 45,000 head of cattle to them in eight months, the new figure of 30,000 in ten months represented a considerable reduction.
 2. Denys Cochin managed to insert a stipulation that oil seeds for Switzerland be crushed into fodder in Marseilles. Bertie observed that 'the desire for such a provision in favour of a French industry may well have had much to do with M. Denys Cochin's wish to negotiate an arrangement on his own terms'. Bertie-FO, 30 April 1917, dispatch, FO 382-1569-89348/17.
 3. In 1916, the Germans and Austrians had taken 15 per cent of the total export of condensed milk; Great Britain, France, and Italy received 40 per cent. Cornaz, op.cit., p.39, note 22.
 4. Text of the Agreement of 12 May 1917, FO 382-1569-99160/17.

The importance of this agreement lies not in the Allies' avenging themselves on the Swiss for the supposed injury implied in the Swiss concessions to Germany on 2 September 1916, but in their extending their influence over the domestic economy of Switzerland (cattle, butter, milk, and cheese). Until this time the belligerents had contented themselves with demands on the use of their own products, or of those they delivered from third nations, but now they succeeded in gaining some control over Swiss domestic products. Though in the S.S.S. agreement Allied interference in the use of Swiss agricultural produce was specifically excluded, the Allies now maintained that the 'special relation' existing between their exports and Swiss agricultural products (e.g., between the fodder the Allies supplied and the cheese produced from livestock fed on this fodder) gave them the right to control even these exports. Although it was felt in some quarters that the precedent set by the 12 May 1917 agreement removed practically all safeguards against foreign meddling in Swiss domestic economy,¹ the Allied position did have an incontrovertible logic which demanded acceptance.

The emphasis of this agreement, as was the case with most Allied-Swiss treaties during the war, was negative, that is, it minimized Swiss exports to the Central Empires. More positive were the less obtrusive but equally successful Allied attempts to make use of Swiss industrial

1. Cornaz, for example, writes: ...der äusseren Einmischung in die innern Wirtschaftsverhältnisse des Neutralen praktisch keine Grenzen mehr gesetzt. Nur noch Macht und Opportunität waren für den Grad dieser Einmischung massgebend. Cornaz, op.cit., p.38.

potential in the production of munitions. Early in the war the Ministry of Munitions had sent Ernest E. Sawyer to Berne to place orders with Swiss manufacturers of goods valuable for the British war effort. So that he might enjoy the protection of diplomatic immunity, Sawyer was made a secretary to His Majesty's Minister at Berne in May 1916.

The war gave new impetus to the manufacture of munitions in Switzerland. When the watch industry fell on hard days in 1914, Jules Bloch of La Chaux-de-Fonds, recognised the munition producing potential there and organized the conversion of the watch factories in the Swiss Jura and in Geneva to the production of delicate brass shrapnel-fuses.¹ The new war industry did not confine itself to fuses, however, As the need for munitions increased and the availability of manpower in the belligerent nations declined, the munitions industry in Switzerland grew and contracts were let for gunpowder, explosives, cartridges, and other projectile parts of copper, zinc, aluminium, and electro-steel.

Sawyer found himself not only writing contracts with Swiss firms, but also arranging for the transport of raw materials (and later of coal and coke) through France, as Swiss firms, in a not unnatural anxiety to be assured of sufficient work to justify the conversion of their factories, signed contracts only on condition of a guaranteed supply of raw material.²

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1. Much of the credit for rescuing the Swiss watch industry belongs to Bloch, but his fame has been obscured by his conviction for bribing an official to avoid payment of taxes on war profits. Geering, op.cit., p.577.
 2. Grant Duff-FO, 8 October 1915, telegram, FO 371-2474-146789/15.

With the backing of the military authorities who appreciated the value of this contribution to the Allied War effort, transportation was facilitated, and a steady and smooth supply of raw materials was ultimately assured,¹ enabling the Allies to follow a policy of placing sufficient orders with the Swiss to prevent the extension of German orders.

By June 1915 the Allies were receiving 5/6 of the total munitions of war manufactured in Switzerland as against 1/6 which went to Germany.² The Germans, as we have seen, retaliated by embargoing coal for all firms manufacturing Allied munitions, but this measure was frustrated by the establishment of the Coal Union under P. Girod of Geneva to supply coal to munitions firms 'friendly to the Entente'.³ Thus by the time the German Blacklist was abolished and the Swiss Ausfuhrkommission II was set up (under the terms of the Swiss-German agreement of 2 September 1916) to prohibit the export to the Allies of munitions made with German coal, the French Swiss munitions manufacturers had for the most part been made independent of German suppliers.⁴

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1. A. Nicholson-Grant Duff, 26 October 1915, letter, FO 371-2474-149054/15.
 2. Grant Duff-FO, 18 June 1915, telegram, FO 382-426-79618/15.
 3. Skipworth-Grant Duff, letter, 14 August 1916, FO 382-1093-159494/16.
 4. Rumbold-FO, 23 October 1916, dispatch, FO 382-1075-218452/16. Rumbold reported that there was 'no reason to fear interference with the export of munitions'.

At the beginning of 1917, with the transfer of Hindenburg and Ludendorff to the western front, German interest was so drawn to Switzerland's potential for producing war material that the German legation in Berne had to take over a hotel to house its expanded commercial staff, a section of which was bending its efforts to securing munitions contracts. Until this time anxiety to maintain their export trade had induced German officials to wink at their own blacklists and restrictive measures, but since Ludendorff's accession to power a policy prevailed of winning the war at all costs, regardless of the immediate and the ultimate effects on German commerce and exchange.¹ Civilian imports were to be considered only after military needs had been filled.

Nevertheless Sawyer entertained few fears that Switzerland would become an arsenal for the manufacture of German munitions since the fuse manufacturers were located mainly in Geneva and in Chaux-de-Fonds, where the Allies had already captured most of the market.² He felt the German policy of boycotting coal for Swiss firms and of imposing strict conditions on the use of German materials, far from impeding the export of munitions to the Allies, had actually put it on a firmer footing by securing the good will of Swiss authorities for the Allies who were careful to exercise pressure through the agency of the S.S.S. rather than through peremptory

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1. Rumbold-FO, 8 January 1917, dispatch, FO 382-1567-10590/17.
 2. Report on Swiss Munitions by E.E. Sawyer, 13 December 1916, FO 382-1567-3447/17.

decree. To show just how far the draconian methods of the Germans had alienated Swiss officials, Sawyer instanced the example of machines made with German coal and steel. By the terms of the Swiss-German agreement of 2 September 1916 these machines were not to be exported to the Allies, but the Swiss customs authorities were allowing them to pass if the maker could show that he had imported even the slightest amount of Allied coal or steel during the previous year which could have been used in the construction of the machine.¹

The export statistics for munitions show how the Allies dominated the market during this period:²

<u>Month</u>	<u>To Allies</u>	<u>To Central Powers</u>	
August 1916	15,443,471	399,114	(francs)
September	14,400,088	405,048	
October	14,935,299	193,534	
November	14,143,019	482,505	
December	15,399,478	682,177	
January 1917	17,506,468	643,471	
February	18,208,560	434,401	
March	13,330,806	1,645,758	
April	20,870,643	1,935,252	
May	10,168,742	1,624,144	
June	25,808,479	1,785,071	

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1. Sawyer-Rumbold, 8 January 1917, report, FO 382-1568-24727/17.
 2. Sawyer-Rumbold, 15 March 1917, report, FO 382-1568-62120/17, and Sawyer-Rumbold, 19 August 1917, report, FO 382-1570-156856/17.

The Ministry of Munitions, who regarded the Swiss fuses as the 'best and most reliable' were taking over 3/4 of the total Swiss fuse exports to the Entente. Although strenuous German efforts to place more work in Swiss factories resulted in increased exports to the Central Powers in March 1917 (due mainly to the development of fuses manufactured from zinc, which the Germans could supply themselves) the Allies continued to obtain by far the greater share of the munitions output.¹ Throughout 1917 the French and British co-operated in supplying Swiss munitions manufacturers with metallurgical coke and coal. Sawyer was responsible for the distribution of the British contribution which amounted to a monthly total of 1200 tons of coke and 1400 tons of coal.² These relatively small amounts did not unduly strain Allied transport facilities, so a steady supply could be counted on.

Sawyer, overestimating the labour shortage in the Central Powers, predicted that the Germans would employ Switzerland during 1918 to an even greater extent in making fuses and munitions.³ In doing so he underestimated the long term effect of the blockade on the German financial position. The value of the mark had fallen steadily since the beginning

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1. FO-Ministry of Munitions, 14 May 1917, report, FO 382-1569-96284/17.
 2. Sawyer-Rumbold, 20 November 1917, report, FO 382-1573-229068/17.
 3. Sawyer-Waterlow, 1 December 1917, letter, FO 382-1573-231091/17.

of 1915, and the German government had been forced during 1917 to set up import prohibitions to protect the currency against further erosion.¹ A report circulated in the Auswärtiges Amt during August 1917 noted that German munitions orders (especially for fuses) would in fact have to be reduced during the winter of 1917-1918 because they could be made in Germany and because further purchases in Switzerland would cause a lowering in the value of the mark.²

A continued Allied market for Swiss munitions seemed assured when the Americans placed a General Williams in charge of their purchases in Switzerland and agreed in December 1917 to sign munitions contracts there only through the offices of the French and British Ministries of Munitions.³ Nevertheless, 1918 saw a rapid decline in the Swiss munitions industry as Italy placed no more orders after January and the French did not renew their contracts. The British received 400,000 fuses a week during January and February, but the number tapered off to 100,000 a week during March.⁴ No more fuses were received after June.⁵ The

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1. Bell, Blockade, p.637.
 2. Professor Dr. Jäckh-Bethmann-Hollweg, 27 August 1917, report, GFM, 21, 354. Dr. Jäckh goes on to suggest that the German policy in Switzerland of supporting the Federal Council and the Swiss General Staff did not mean the Germans should be too accommodating to the Swiss in economic matters as 'die Schweizer sind gerissene Geschäftsleute'.
 3. Rumbold-FO, 16 December 1917, telegram, FO 382-1573-238646/17.
 4. Memorandum on Swiss munitions by E.E. Sawyer, 2 February 1918, FO 382-1984-28619/18.
 5. Memorandum on Swiss munitions by Waterlow, 25 June 1918, FO 382-1984-113047/18. There were, however, still a few contracts running for aircraft supplies and other instruments.

wartime competition for Swiss munitions had clearly been won by the Allies. The statistics for the export of Swiss iron and copper manufactures for the war years give a general indication of the proportion of goods delivered to the belligerent groups, which is surprising considering that most of the iron came originally from Germany:¹

	<u>Iron</u>		<u>Copper</u>	
	<u>C.Powers</u>	<u>Allies</u>	<u>C.Powers</u>	<u>Allies</u>
1914	4.2	10.3	0.8	1.9
1915	11.7	29.0	3.7	22.4
1916	8.3	60.5	3.0	132.5
1917	21.0	59.5	11.7	199.4
1918	18.0	42.4	7.3	90.7

Skipworth was also able to direct the export of aniline dyes from the factories in Basle to the United Kingdom, which had received before the war 3/4 of her supply from Germany.² Since the raw materials for the manufacture of these dyes (aniline oil, phenol, nitro-benzole, etc.) could also be used for explosives, they were provided by the British under the close supervision of Skipworth. At the end of 1914 the dye manufacturers of the Swiss Society of Chemical Industries agreed to sever relations with Germany and to supply dyestuffs to the United Kingdom equal in value to raw materials received, but by 1917 they were actually sending dyes worth

1. In millions of francs. Geering, op.cit., p.576.

2. Foreign Office memorandum on dyestuffs, 5 December 1914, FO 368-1133-79188/14.

five or six times the value of the raw materials sent to them.¹

These dye manufacturers were not under S.S.S. control but signed a Chemical Guarantee provided by Skipworth and posted a bond of £5,000 each.² With minor exceptions this system worked to the benefit and satisfaction of both the Swiss and the British throughout the war.

The problem of monopolizing the Swiss munitions market, while at the same time reducing Swiss imports to a basic minimum, was aggravated by the counter need of the Entente powers, especially of Italy, to find buyers for their products in Switzerland. Consequently, after the daily business of blockade had been assumed by the S.S.S., diplomatic exchange on the regulation of Swiss imports was carried on as much between Great Britain and her Allies as between the Foreign Office and the Political Department. In this regard, great efforts had to be expended to curb Italian trade in wine, fruit, and silk which were unquestionably passing through Switzerland to the enemy.

Although a large surplus and vigorous rivalry between them had made rationing of wine and its consignment to the S.S.S. in 1915 entirely unacceptable to the French and the Italians, the British succeeded in March 1917 in pressuring the Italian government to agree to consign wine provided the French did likewise.³ The delegates meeting in Paris to

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1. Board of Trade-FO, 5 October 1917, memorandum, FO 382-1596-193207/17.
 2. Skipworth-Rumbold, 7 January 1918, Report on Dye Manufacturers, FO 382-1985-9217/18.
 3. Rodd-FO, 2 March 1917, telegram, FO 382-1579-46882/17.

reconsider Swiss rations in Spring 1917 accepted in a co-operative spirit the proposal to consign wine to the S.S.S., but placed the ration at a very large figure (1,000,000 hectolitres, plus 12,000 casks to 'individual' rather than commercial users). Crowe found this ration 'monstrous', but the Foreign Office was nevertheless forced to agree to it.¹ Though wine and spirits passed under control of the S.S.S. on 1 June 1917, several attempts were made by the Foreign Office subsequently to persuade France and Italy to agree to a reduced ration. These attempts failed, and large quantities of wine continued to be shipped to Switzerland, where, it was claimed, some of it was mixed with Swiss domestic wine, and re-exported to Germany as a 'domestic agricultural product'.²

As a concession to the Italians, fruit had not at first been consigned to the S.S.S., and was shipped not only to Switzerland but to Germany, Holland, and Scandinavia.³ Ambassador Rodd defended the shipments to Germany on the grounds that much of the population of Southern Italy and Sicily depended for their livelihood on the export of oranges and lemons, and that the enemy could not derive great benefit from goods

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1. C.P.I.C. Report 1157, 12 April 1917, FO 322-1579-81533/17, FO-Bertie, 7 May 1917, telegram, FO 382-1579-90782/17.
 2. FO-Rumbold, 20 September 1917, telegram, FO 382-1579-182482/17. Strong protests were made to the Swiss regarding the adulteration of wine in this way.
 3. Sir A. Johnstone (The Hague)-FO, 4 January 1916, telegram, FO 382-1077-2845/16.

of so perishable and militarily valueless a nature.¹ The Italians considered the passing of a certain amount of fruit to Germany a much lesser evil than closing the markets of Southern Italy and Sicily. The fruit had to go somewhere, or the economy would be ruined, and besides, these perishable commodities were essential for providing Italian credit for purchases abroad.²

The French and British governments, however, considered citrus fruit of high nutritive value and useful as an anti-scorbutic, but were unable during the summer of 1916 to finance the purchase of the Italian crop, as had been suggested.³ They were alarmed by the vast increase in Italian fruit exports to Switzerland and Germany. The figures for oranges,⁴ for example, were:

	<u>1913</u>	<u>1914</u>	<u>1915</u>
to Switzerland	38,607	47,596	126,142 (quintals)
to Germany	168,403	295,432	417,954

The Italian policy of exporting fruit to Germany prejudiced the British blockade position vis à vis the neutrals since, although the British navy were seizing and placing in prize whole shiploads of fruit

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1. Rodd-FO, 28 April 1916, dispatch, FO 382-1077-82791/16.
 2. Rodd-Cecil, 29 April 1916, private letter, ibid.
 3. Report of the War Trade Advisory Committee, 6 July 1916, FO 382-1077-133805/16.
 4. Rodd-FO, 24 August 1916, dispatch, FO 382-1077-170814/16.

from neutrals to Scandinavia, Italy, an ally, was freely exporting to Germany.¹ To bring this practice to a halt, Crowe strongly urged blacklisting Italian firms engaged in the fruit trade, but Rodd felt it 'hardly equitable' to punish individual companies when their own government did not prohibit the export of fruit, and that this was not a 'felicitous manner' of dealing with an Allied government.² Nevertheless, the Foreign Office felt at least a gesture must be made. The Italian Minister for Foreign Affairs was informed that the British government expected all their Allies to prohibit trade with the enemy, and so long as they did so, it was not necessary to restrict the trade of a British with an Allied subject. When however they did not, 'His Majesty's government are compelled by existing legislation to see that British subjects do not break the law by dealing with enemy firms through Allied firms'. They felt the establishment of a British blacklist of Italian firms was therefore both legal and necessary.³

Fortunately this measure did not have to be adopted, as the Treasury reluctantly consented, in the late Autumn of 1916, to finance the purchase of Italian fruit which would otherwise find its way to

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1. Memorandum by O'Malley on the passage of supplies from Italy to Germany, 4 May 1916, FO 382-1077-84841/16.
 2. Rodd-FO, 26 September 1916, dispatch, FO 382-1077-195979/16.
 3. FO-Rodd, 7 October 1916, ibid.

Germany. As this decision came during the harvest season when the trains were already going north, Sir Edward Capel-Cure, a British economist at the University of Siena who had volunteered assistance to Rodd in economic matters, did yeoman's work in cancelling contracts, stopping consignments, and negotiating the transfer of the crop to the British government. Disposal of government purchases was entrusted to a commission under E.T. Dotteridge, who sought out alternative markets and sent much fruit to the front, but through inevitable delays and confusions, much of the crop deteriorated and increasingly heavy demands were made on the Treasury guarantee.¹ During the following season (1917-1918), however, largely due to the failure of the Spanish crop and better organization of purchase and transport in Italy, a profit was realized which more than compensated for the losses of 1916-1917.

With the assurance that the purchase of their fruit crop was guaranteed, the Italian government at last consented to the consignment of fruit to the S.S.S. and to its being rationed.² This resolution of the problem was, of course, highly satisfactory to the Foreign Office, though the long delay in including fruit on the consignment list had caused them 'deeply [to] regret Italian methods of waging war'.³

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1. J.R. Rodd, (Baron Rodd of Rennell), Social and Diplomatic Memories, (Third Series), 1902-1919 (London, 1925), p.301.
 2. C.P.I.C. Report 1567, 10 December 1917, FO 382-1584-233913/17.
C.P.I.C. Report, 1058, 14 February 1917, FO 382-1584-39085/17.
 3. FO-Rodd, 24 February 1917, telegram, FO 382-1584-40161/17.

The third commodity whose consignment to the S.S.S the Italians had vigorously opposed was silk, which of the three was the most important not only because it accounted for about 1/4 of Italy's exports but also because of its unquestioned military value. At the start of 1916, all types of silk (with three exceptions) could be freely exported from Italy to Allied or neutral nations.¹ Since neither the Italians nor the Swiss put any obstacle in the way of exporting raw silk or silk goods, much silk of Italian origin went on to Germany. 84 per cent of the raw silk used in the German textile centre of Crefeld, for example, came from Italy.²

Since silk was required in the production of zeppelins and air-planes, the Foreign Office interested themselves in stemming its flow into German factories. Some investigation convinced Craigie that the most formidable obstacle to eliminating the German supply was 'the power of the silk trade in France and Italy'. Besides, as O'Malley noted, 'silk is a desperate subject to deal with because it does not fall into broad categories like cotton and because it is never possible to say exactly what the foreign (French and Italian) terms mean. It seems absurd

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1. Rodd-FO, 6 February 1916, telegram, FO 382-1079-26587/16. In relation to Italy, Germany was at this time 'a neutral'.
 2. Memorandum on the silk position in Germany, June 1915. FO 382-1079-51871/16. As stocks in Germany decreased during the war, attempts were made to build up home production of silk. A 'German Silk Culture Society' was formed but ran into difficulty because mulberry leaves, according to this report, did not stay green long enough in Germany !

that the Foreign Office should have to try and argue with the French government about anything so abstruse'.¹

When pressed on the point, however, the French government declared themselves ready to reduce their own silk exports as soon as the Italians did.² The Foreign Office, realizing that the Italian government would never agree to a complete prohibition of export for silk, determined on the establishment of an Allied purchasing organization to keep Italian silk from the German market by buying it directly in Italy. After several approaches were made to the Italian government, Dell'Abbadessa announced to Lord Granville that he was 'authorised by his Government to agree to the prohibition of the export of silk provided H.M. Government and the French Government were prepared to make some arrangement to save the important Italian silk industry from ruin', meaning, of course, on condition of a cash settlement.³

An interallied conference on silk was therefore held in Paris in September 1916. The French and British urged a complete prohibition of export, but the Italians maintained they could consent to prohibit the export of only those types of silk of undoubted military value and on the receipt of convincing proof that no economic loss would ensue for them. An investigation was begun to determine how much Italian silk could be

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1. Minutes by Craigie and O'Malley, ibid.
 2. Report of the Comité de Restriction, 31 May 1916, FO 382-1079-119972/16.
 3. Bertie-FO, 18 August 1916, dispatch, FO 382-1079-165384/16.

absorbed by French industries. Meanwhile, O'Malley, feeling that the British were 'in a dubious position countenancing traffic between Germany and an Ally which we would rigorously suppress if carried on between a neutral and Germany', suggested the statutory blacklist for Italian silk manufacturers.¹

The Italians, however, eventually agreed to prohibit the export of all types of silk except 'thrown silk'. Silk therefore became contraband in all three Allied countries on 1 October 1916, and was to be rationed and consigned to the S.S.S. as of 6 October.² Under pressure from their silk traders, the Italian government delayed the publication for their prohibition until a week after the British and French announcement in order to give Italian speculators the opportunity to enjoy a last flurry of sales in Germany before the gates clanged shut.³ The C.P.I.C. retaliated by making the Italian ration retro-active by one week.

The establishment of precise rations for various types of silk involved the Allies in considerable wrangling in Paris, as the Italians held out for high export quotas for those types of silk which were

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1. Bertie-FO, 20 September 1916, telegram, FO 382-1079-187775/16. And O'Malley's minute.
 2. Bertie-FO, 23 September 1916, telegram, FO 382-1079-190135/16.
 3. Paul Cambon-FO, 16 October 1916, note, FO 382-1079-206876/16.

consignable to the S.S.S.¹ 'Undyed thrown silk' which could still be exported without consignment to the S.S.S. and therefore without guarantee against re-export to Germany, was sent to Switzerland in huge quantities.¹

The War Trade Department deplored this breach in the blockade wall since thrown silk could be made into thread for sewing uniforms and into tissue for parachutes, aircraft fabric, cartridge primers, and clothing,² but in view of Italy's precarious economic position they felt it inadvisable to take any step which would result in the collapse of her silk industry while the war was in progress. They therefore recommended the implementation of a scheme whereby Great Britain would join France in the purchase of Italian silk going through Switzerland to Germany, assuming that a small quantity could be absorbed by the United Kingdom, and some by France, but that there would be no difficulty in finding a market for the rest in the United States. The loss involved in these purchases, if any, would presumably be small considering the high prices silk commanded on the world market.³

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1. Memorandum on Italian Exports to the Enemy (prepared for the cabinet by S. Waterlow), 30 January 1917, FO 382-1564-41034/17. Waterlow put the export of undyed thrown silk at about 3,000 tons a year.
 2. War Trade Department-FO, 9 February 1917, report, FO 382-560-32291/17.
 3. Memorandum on the Italian Silk Position (prepared by Mr. Warner of the Linen and Silk Committee of the War Trade Department), 9 January 1917, FO 382-1560-9091/17.

The Foreign Office were sceptical about the success of this plan for they were certain the Treasury would balk at the prospect of providing the required sum, and the Germans would counter sales in the United States merely by offering higher prices which the Italians would find irresistible. Lord Robert Cecil observed that the Italians were 'most unreasonable' since they were getting 150 per cent more than the pre-war price for supplying the enemy with military goods.¹

The ingenuity with which the Italian government threw up obstacles to prevent a conference on silk exports from being held in the Spring of 1917 can only provoke a retrospective smile. The first Italian ploy came from the Italian Minister of Finance, who refused to authorize the Italian delegates to participate in the conference until the British agreed to accept 70 per cent of their 1916 silk import from Italy,² and the French reduced their silk tariff.³ The British and French therefore agreed to discuss these problems at the conference. Then it was announced that the Italian delegates could not attend the conference on the date fixed (14 May 1917). Waterlow was convinced that the reason for the delay was that the Italians were satisfied with the state of affairs in which they could export to the enemy and felt that only harm

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1. Minutes by Waterlow, Crowe, and Cecil on FO 382-1562-119715/17.
 2. To arrest a fall in the value of the pound, British imports of luxury items had been curtailed in early 1917. The import of Italian silk had been reduced to 50 per cent of the 1916 total.
 3. Bertie-FO, 28 March 1917, telegram, FO 382-1562-65854/17.

could come to them from a confrontation with their Allies in this regard. He therefore reluctantly recommended conceding at the outset the acceptance of 70 per cent of the 1916 silk import.¹

Next the Italian Minister for Foreign Affairs suggested the 'silk conference' be held in Rome rather than in Paris, and that Swiss delegates be invited as well.² The Foreign Office countered by contacting the American government with the suggestion that the United States become a 'compensatory market' for Italian silk since the main difficulty was Italian reluctance to chance the ruin of their largest industry.³ So tempting was the prospect of the huge American market that the Italians at last consented to negotiations entered upon without prior conditions in Paris beginning on 5 June 1917. Robert Woods Bliss, councillor of the United States Embassy in Paris, was appointed delegate of the United States government with instructions only to report on the proceedings.⁴

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1. Minute by Waterlow on Cambon-FO, 10 May 1917, letter, FO 382-1562-94735/17.
 2. Rodd-FO, 14 May 1917, telegram, FO 382-1562-97888/17.
 3. FO-Cecil Spring-Rice, 15 May 1917, telegram, FO 382-1562-97888/17.
 4. Bertie-FO, 2 June 1917, telegram, FO 382-1562-110610/17.

The conference on silk was held from 5 to 9 June 1917 and was a great success for the Foreign Office, whose policies found acceptance with the other representatives.¹ The most important points agreed upon were the addition of undyed thrown silk to the Allied list of prohibited exports, and the organization of an inter-allied bureau to purchase Italian silks at a fixed rate.² Waterlow found the result of the conference 'highly satisfactory' and most significant. 'It means that we have stopped the most important remaining hole in the blockade and have solved a number of difficult and important questions.'³

Although the Italians agreed to prohibit the export of thrown silk on 25 June, at the last minute they demanded the removal of the silk purchasing authority from Lyons, as had been decided upon in Paris, to Milan, where the control of purchases would be more difficult for the other Allies.⁴ 'The usual oriental methods', Waterlow remarked with resignation, and Rodd was instructed vigorously to oppose the

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1. Procès Verbaux, 5, 7, 8, 9 juin 1917, FO 382-1562-131010/17.
 2. C.P.I.C., Report 1263, 9 June 1917, FO 382-1562-119463/17.
 3. Minute by Waterlow on George Graham-FO, 9 June 1917, telegram, FO 382-1562-115290/17.
 4. Bertie-FO, 22 June 1917, telegram, FO 382-1562-124278/17.

Italian suggestion. The Italians, with admirable tenacity, then appealed again to the British government to raise British silk imports from 50 to 70 per cent of the 1916 level, in return for their own concession on the site of the commission, but this request was denied on the ground that the Italian silk industry was already fully guaranteed against loss and such a concession would involve similar privileges to other nations.¹ In a final compromise the Purchasing Bureau was in fact established at Lyons, but with subsidiaries (succursales) at Milan and Turin.² The bureau was capitalized at 10,000,000 French francs provided jointly by the British, French, and American governments. As the Swiss had signed in Paris on 4 September 1917 an agreement incorporating the decisions of the June silk conference,³ this last commodity of military importance ceased legally to be exported from Italy into Switzerland.

Illegal exports apparently did not cease, however. An accusation that considerable smuggling of silk, cotton, and other commodities was taking place across the frontier at Chiasso (near Como) was made in the Italian Chamber of Deputies by Deputy Pirolini in December 1917. Pirolini accused Albert Grimm and Francisco Rusca, chiefs of the S.S.S.

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1. Rodd-FO, 5 July 1917, telegram, FO 382-1563-133431/17. FO-Rodd, 20 July 1917, telegram, FO 382-1563-140749/17.
 2. Bertie-FO, 22 December 1917, telegram, FO 382-1563-242838/17.
 3. Text of the Agreement, 4 September 1917, FO 382-1563-174913/17.

bureaus in Genoa and Rome respectively, of smuggling and of favouring certain Swiss firms in making consignments to the S.S.S. No concrete evidence was found to support the accusation against Grimm, though Rusca's family connections in import firms in Switzerland put him in a very bad light.¹ Trouble flared up in the Italian Chamber again in February 1918 with further accusations by Pirolini, which were answered by various Deputies including the Minister of Finance and the Minister of Commerce.²

In the course of an investigation instituted by the Minister of Commerce, evidence came to light that the Swiss Minister in Rome, Alfred Planta, was involved as an 'intermediary and protector' in the silk and cotton scandals. He was, of course, instantly recalled by the Swiss government.³ The Italian Minister of the Treasury also called for the removal of the Italian minister in Berne, Paulucci de Calboli, 'who, in his opinion, has been foolish and has shown great lack of ability and discretion'.⁴

When Rodd joined in urging the recall of Paulucci de Calboli, Baron Sonnino politely refused, pointing to the special delicacy of Italian relations with Switzerland by reason of the proximity and the

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1. Rodd-FO, 27 December 1917, dispatch, FO 382-1967-~~39397~~²⁵³⁵/18
 2. Rodd-FO, 24 February 1918, dispatch, FO 382-1967-39397/18.
 3. He was replaced by Georges Wagnière, former editor of the pro-Allied Journal de Genève.
 4. Rodd-FO, 11 March 1918, telegram, FO 382-1967-45287/18.

consequent need for tact, and suggesting that the French were in reality 'more indulgent' than the Italians in blockade matters.¹

The disclosure of Planta's involvement in the scandals evoked sharp reactions in the Foreign Office. Commander Leverton Harris wrote that 'this just goes to show that we cannot trust the Swiss and are being constantly fooled by them'. Waterlow, however, took up the cudgels in defence of the Swiss and the S.S.S. in particular. He claimed he knew of no instance of 'being fooled' by the Swiss and resented the implication that the Swiss blockade was in any way unsatisfactory, since Swiss exports to the enemy had long been reduced to a minimum, 'a result all the more creditable when it is remembered that in Switzerland we have to work, in concert with very difficult allies, a system which in theory is run mainly by the French, but on which in fact we have always done all the real work and taken the lead'. Crowe agreed that the difficulty lay not with the British, 'but with Allies who do not play the game, for private interests'.²

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1. Rodd-FO, 24 March 1918, dispatch, FO 382-1967-58071/18. Baron Sonnino's allegation was absurd: if anything, the Foreign Office had their hands full trying to restrain the French blockade authorities from adopting an unreasonably harsh position vis à vis the Swiss. Waterlow's minute: The point is not that the Italians refuse to be dragged by us into a "forward" blockade policy, but their representatives show incapacity and wilful obstructiveness in carrying out the details of the policy on which all are agreed. 'When the Minister (Paulucci de Caboli) spends 2/3 of his time on leave, and, when at his post, talks in a *dégâtiste* sense; when all his staff have German or Austrian wives; when the commercial attaché has been twice bankrupt and is boycotted by his French colleagues: it is clear that only very radical measures can be of any use'.
 2. Minutes on Rodd-FO, 11 March 1918, telegram, FO 382-1967-39397/18. Apparently this discussion between Commander Leverton Harris and S. Waterlow generated some heat. Lord Robert Cecil brought it to a halt by speaking privately to the Commander.

The Swiss were indignant at criticism of the S.S.S (referred to as the Société sans scrupule in the Italian Chamber of Deputies) especially by the Italians who, they felt, were no less involved in the scandals than the unfortunate MM. Planta and Rusca. When Carletti, the Italian commercial attaché, called on Grobet-Roussy on 6 May 1918 to request the removal of Rusca from the S.S.S. bureau in Rome, his request was rejected with some heat. Grobet-Roussy was convinced Italian officials were trying to distract attention from themselves to the S.S.S., and to lay at the door of that organization the responsibility for scandals which properly concerned the Italian government alone.¹ Besides Carletti could offer no proof of Rusca's guilt.² Apparently the Italian government felt too many officials would be implicated if evidence were released, and although Grobet-Roussy expressed to Craigie his willingness to remove Rusca without evidence if this were necessary to exonerate the S.S.S., Craigie felt this would be unfair to the organization. Consequently Rusca remained at his post and the affair died a quiet death. Later, an investigation by the Foreign Office of the activities of the S.S.S., undertaken as a result of the Italian scandal, convinced the

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1. Memorandum by Craigie on a conversation with Grobet, 7 May 1918, FO 382-1967-88341/18. Cf. also Rodd-FO, 2 May 1918, dispatch, FO 382-1967-80330/18.
 2. Memorandum by Craigie on a conversation with Grobet, 24 June 1918. FO 382-1967-125674/18. Waterlow commented that it was improbable that documentary proof would be published as it would necessarily establish "a" complicity of Italian officials. It never was.
 3. Memorandum by Craigie, 24 June 1918, FO 382-1967-125674/18.

Contraband Department that their confidence in the S.S.S. was not misplaced, and showed that its officials in Switzerland were above reproach in living up to the obligations of the Society.¹

Perhaps it would not be out of place at this point to say a word about the resignation on 18 June 1917 of Federal Councillor Arthur Hoffmann, head of the Federal Political Department. Hoffmann had never been popular with the Foreign Office because of his well known sympathy with the Central Empires. In June 1917 he made the error of attempting to negotiate a separate peace between Germany and the Kerensky government in Russia. Specifically he sent a telegram, giving the German conditions for peace to Robert Grimm, a Swiss Socialist who was in Petrograd in June 1917. This telegram was intercepted and published in a Swedish newspaper. Hoffmann's position was impossible. Whatever his reasons (and he claimed they were strictly humanitarian), he was in fact party to an attempt to engineer a peace to the benefit of the Central Powers, a highly unneutral act. He therefore resigned immediately (18 June 1917), and the other members of the Federal Council disclaimed all knowledge and responsibility for Hoffmann's step, which he had taken on his own initiative without consulting them.²

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1. G.C. Harben (War Trade Intelligence Department), 13 August 1918, Report, FO 382-1967-139938/18, and 26 August 1918, FO 382-1967-146753/18. Craigie's critique of Harben's reports, 11 November 1918, FO 382-1967-186695/18.
 2. The 'Hoffmann Affair' is explained in great detail in Bonjour, op.cit., II, 612-637.

At the time of his resignation, Hoffmann claimed he sent Grimm only information he had gleaned from newspapers and from general conversation with German statesmen. The documents of the German Auswärtiges Amt, captured by the Allies at the end of World War II, prove he had actually contacted the German government specifically to discover their peace terms.¹

But Hoffmann's swift resignation relieved the Foreign Office of the embarrassment of dealing directly with this breach of neutrality. When Carlin stopped off in the Foreign Office on 19 June to ascertain their attitude to the events of the previous day, he was received by Sir William Langley who spoke mildly of the difficulties of a general peace, especially regarding the colonies, but gave no indication that the Foreign Office would seek satisfaction for Hoffmann's indiscretion.² The British newspapers were filled with comment on the 'Tales of Hoffmann' and 'Grimm's Fairy Tales' for about a week, but then interest died.

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1. e.g., Romberg-Auswärtiges Amt, 19 June 1917, telegram, GFM 21, 145. 'Um Herrn Hoffmanns Situation zu erleichtern ist es absolut erforderlich dass nicht bekannt wird, dass wir das Telegramm für Grimm inspiriert haben. Version muss aufrechterhalten werden, dass Herr Hoffmann auf Grund seiner allgemeinen Informationen Grimm über seine Beurteilung der Friedensmöglichkeiten unterrichtet habe.'
 2. Carlin-Pol. Dept., 19 June 1917, dispatch, EPD RP London 21 1916-1917, 2001 (D) a.

The most important result of this event, in so far as the blockade was concerned, was the transfer of the Commercial Section (Handelsabteilung) of the Political Department to the Department of Public Economy. Thereafter Federal Councillor, Edmund Schulthess would deal with all matters relating to the blockade. Gustave Ador, of Geneva, formerly president of the International Red Cross, and known as a friend of the Entente, was put in charge of foreign affairs, replacing Hoffmann.

The effects of the great events in Russia which put victory almost within the grasp of the Central Empires, were counterbalanced by the entry of the United States into the war in April 1917. The effect on Switzerland of America's momentous step from neutrality to belligerency, and on the Confederation's relation with Great Britain, will be considered in the following chapter.

VII

UNCERTAIN ASSOCIATE: AMERICA

When questioned by A.J. Balfour, then Foreign Secretary, about the possibility of the United States adopting the British blacklist soon after America's entry into the war, F.L. Polk, Counselor for the State Department, allegedly remarked, 'Mr. Balfour, it took Great Britain three years to reach a point where it was prepared to violate all the laws of blockade. You will find it will take us only two months to become as great criminals as you are!'¹ Allowing for exaggerated and imprecise use of language, Polk's statement affords some indication of the magnitude and swiftness of America's change of attitude towards the blockade when she abandoned her position as champion of neutrals for that of most menacing of belligerents. After her entry into the war on 6 April 1917, the United States applied contraband control

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1. B.J. Hendrick, The Life and Letters of Walter H. Page (London, 1923) II, 265. A statement of Polk on this matter is found in T.A. Bailey, The Policy of the United States Toward the Neutrals 1917-1918 (Baltimore, 1942), pp.1-2. note 2. Bailey proposes to show in his book that the United States cannot be regarded as a 'great criminal' in the matter of blockade. He would presumably reserve this honour for Great Britain.

more rigorously and with greater originality than the British had been able to do so, particularly in regard to export control, which she skillfully employed as a bargaining weapon to regulate supplies to neutrals adjacent to Germany.¹

The use of this weapon, or the threat to use it, caused the Swiss the utmost alarm. As a British intelligence report on the situation in Switzerland in November 1917 noted,

'Resentment at the British blockade has receded into the background. In the eyes of the Swiss, America is to England as King Stork is to King Log, but at the same time "resentment" is not what the Swiss feel toward the American policy. They seem to regard America as an elemental, non-human force which cannot be argued with, resisted, or controlled'.²

The British themselves shared some of the Swiss apprehension regarding their new co-belligerent whose enthusiasm threatened to topple the whole structure of the Swiss 'blockade' which was built on finely balanced agreements arrived at in interminable conferences over the years. To moderate and direct to the best interests of the blockade the vast though unpredictable potential of America became therefore one of the main preoccupations of the Foreign Office in their dealing with the Swiss question during the final nineteen months of the war. The initial American reluctance to take part in established blockade schemes, and their

1. W.N. Medlicott, The Economic Blockade (London, 1952), I, 10.

2. Memorandum of the Intelligence Bureau, Department of Information, 15 November 1917, 'The Situation in Switzerland', FO 371-3040-220967/17.

insistence on dealing independently with the Swiss without sufficient prior consultation with the British, led to considerable confusion and some embarrassment in Great Britain's own relations with the Confederation.

The Swiss had first begun to look to America as a source of grain during the Balkan Wars which temporarily disrupted the wheat supply from Russia and Rumania. The closing of the Straits in the summer of 1914 and the general shortage of foodstuffs in Europe reestablished this dependence on America to the point where the Swiss were forced to look exclusively to the New World and largely to the United States for their wartime grain needs. This dependence spread to other commodities as well, with the result that the Swiss government were distressed to find their nation's economy inextricably bound to that of the United States when America abandoned her neutrality in April 1917. Switzerland was at that time drawing most of her copper and cotton, as well as her grain and fodder, from the United States, so that the value of Swiss imports from that nation increased from 92 million francs in 1911-1913 to 332 million francs in 1914-1916. In 1916 the United States supplied 23.74 percent of all the food imports of Switzerland and, between 1915 and 1918, 95 percent of her wheat imports.¹ The increasing Swiss

1. P. Erdman, Swiss-American Economic Relations (Basel, 1959), p.38.

dependence on America is illustrated by the following chart showing the value of various exports from the United States to Switzerland:

	June 1915-June 1916	June 1917-June 1918
oils	8 588,186	1,228,197
food/fodder	2,542,755	6,844,144
meat products	125,992	4,586,379
total of all exports	8,082,516	21,264,078. 1

Naturally the Federal Council were apprehensive when rumours began to circulate in the Spring of 1917 that the American government were considering a general embargo on their exports to the neutrals.² This apprehension was all the greater as the Swiss minister in Washington, Dr. Paul Ritter, had, through his attempt to re-establish relations between the United States and Germany after Count Bernsdorff had been handed his passports in February 1917, incurred the suspicion in the eyes of the State Department of collusion with the Germans.³ As it was possible that they might be

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1. Bell, Blockade, p.668. Increases in prices account for some of this rise, but trade had obviously grown spectacularly.
 2. P.A.Stovall (U.S. minister in Berne) - R. Lansing (Secretary of State), 24 April 1917, telegram, FR 1917 Suppl.2, vol.II, p.1159
 3. Memorandum by Lansing, 21 February 1917, FR 1917, Suppl.1, p.108. Lansing got Ritter to admit, to his extreme embarrassment, that the proposals for reestablishing diplomatic relations between the United States and Germany had been approved, if not inspired, by Bernsdorff himself.

regarded in Washington as rather too closely tied, both politically and economically, with the Central Empires, the Swiss government were anxious to assure the Americans no less of their neutrality than of the dependence of their nation's economy on the good will of the Allies. Ritter was therefore recalled and replaced on 23 July 1917 by Hans Sulzer, a young Swiss industrialist, who, it was felt, was alive to the difficulties of the Swiss economy and would gain more sympathy in Washington for the Swiss cause. Hoffmann also arranged for a special mission to accompany the new minister to the United States 'in order to explain the peculiar economic conditions of Switzerland in connection with the possible restriction of foodstuff shipments from America'.¹ This three member mission, selected by reason of their close association with America, toured the United States from 15 August to 3 November 1917, publicizing Swiss needs and endeavouring to win the favour of businessmen, politicians, and government officials to the Swiss cause.²

Meanwhile, a larger and more important mission, headed by A.J. Balfour, Secretary of State for Foreign Affairs since the fall of

1. Stovall-Lansing, 7 June 1917, telegram, FR 1917, Suppl.2, II, 1167-68.

2. This mission was comprised by Lt. Col. Staempfli, National Councillor John Syz, and Professor William E. Rappard, of the University of Geneva, who had taught political economy at Harvard from 1911 to 1913 and was a personal friend of Woodrow Wilson, former president of Princeton University. P.A. Stovall, Switzerland and the World War (Savannah, Georgia, 1939), p.133. Rappard recounted his experiences in W.E. Rappard, La Mission Suisse aux États-Unis (Geneva, 1918). A German intelligence report submitted just after their return to Switzerland recounts that the mission had 'nichts erreicht'. Chief of the Naval Admiral Staff - Auswärtiges Amt, 30 November 1917, report, GFM 21, 354.

the Asquith government in December 1916, sailed from England to the United States in April 1917 to integrate the new belligerent into the Allied blockade system by inducing them to adopt lists of prohibited exports and of undesirable consignees in neutral countries, to employ their own shipping in the common Allied cause, to requisition ships being constructed in America for neutrals, and to give the Allies the first option on available foodstuffs and fodder.¹ Although in discussion with the Balfour Commission during their five week stay in the United States the officials of the State Department tried, in spite of their nation's transition from neutrality to belligerency, to retain some semblance of consistency in their stand on the rights and duties of blockade by alleging that American co-operation would not rely on measures which they had hitherto regarded as unfounded in international law, the Americans showed themselves prepared to co-operate in the blockade under the rubrics of conserving supplies for themselves and their associates, of observing existing trading with the enemy legislation, and of conserving tonnage for American and Allied military necessities.²

The Balfour Commission expressed satisfaction with the way the Swiss 'blockade' was proceeding, and recommended that no drastic measures be adopted against the Confederation in view of the

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1. Balfour-Page, 10 April 1917, Letter (+Memoranda), FR 1917, Suppl.2, II, 808-814.
 2. Report of the War Trade Board (Washington, 1920), p.12. cf. Bailey, op.cit., p.50-63.

satisfactory Allied supervision of transport to Switzerland and the excellent control exercised internally by the S.S.S. The French joined the British in this recommendation and suggested further that the American 'scrutiny of exports to Switzerland' be effected through existing inter-allied agencies, and that the United States dispatch representatives to the C.P.I.C. in Paris.¹ These suggestions were received favourably by the State Department,² though several months elapsed before representatives were assigned to those bodies.

The Swiss minister in London was meanwhile instructed to enlist the support of the Foreign Office in moderating possible harshness on the part of the Americans. Persistent rumours that America was planning to embargo all exports to neutrals continued to cause anxiety in Switzerland. Carlin therefore sought reassurance from Sir Eyre Crowe that the Balfour Commission would not fail to emphasize in Washington the effectiveness of Allied control over Swiss commerce, and mentioned that he was gratified at a statement of Lord Robert Cecil that no appreciable quantity of goods imported from overseas to neutral countries was passed on to Germany. He wondered, however, if the Americans were aware of this fact. Crowe assured him that the Balfour Commission were alive to Switzerland's problems and 'had gone out with full instructions'. As Carlin was worried

1. J.J. Jusserand (French Ambassador in Washington)- Lansing, 7 May 1917, letter, FR 1917, Suppl.2, II, 1160-61.

2. Lansing-Jusserand, 7 June 1917, letter, FR 1917, Suppl2, II, 1965-66.

that ships would return from France to the United States in ballast for reasons of haste, he was likewise assured that 'due consideration' would be given to Swiss export trade.¹

In spite of Crowe's confident air, the Foreign Office themselves were uncertain about the rôle the United States could play in improving the Swiss section of the blockade even if the State Department were willing to co-operate fully with the Allies. The French ambassador in Berne had suggested having America forward agricultural and industrial supplies only on condition that the Swiss kept their exports to Germany within the limits allowed by the S.S.S.², but as these limits had always been scrupulously observed, the suggestion seemed useless. Craigie and Hugh Wilson of the American legation in Berne, who dealt with contraband questions in the early days of American involvement in the war, were strongly of the opinion that it would be better for the United States to keep out of the S.S.S. arrangement altogether, so as to leave her hands freer to exert ad hoc pressure on the Swiss should the need arise.³

Waterlow therefore drew up for the instruction of the Foreign Office a memorandum on 'possible American action as regards the Swiss

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1. Memorandum by Crowe on a conversation with Carlin, 21 May 1917, FO 382-1592-103295/17.
 2. Rumbold-FO, 2 June 1917, dispatch, FO 382-1592-114123/17.
 3. Craigie-Waterlow, 2 June 1917, private letter, ibid.

part of the blockade'. This memorandum deserves careful attention as it provides a concise summary of Swiss blockade conditions in mid-1917. Waterlow stated that no new organization was desirable or necessary in consequence of America's entry into the war as nothing could reach Switzerland through France or Italy without consignment to the S.S.S., which had shown itself a matchlessly efficient organization for curtailing exports into Germany. Unique among the neutrals, Switzerland's economic control was the responsibility of not one but three Allied governments who had won the confidence of the Swiss, a confidence which rumours of 'drastically applied' American pressure had begun to replace with irritation and deepening anxiety among the Swiss. In the abstract, there were two and only two heads under which American contribution to the 'increased strategy of the blockade' was possible: reducing Swiss exports to the enemy of goods they imported, and reducing the export of goods they produced domestically.

a) No imports into Switzerland were re-exported to the enemy except those allowed by the S.S.S. agreement and special Italian produce (silk, wine, and fruit). The S.S.S. bye-laws were part of an international instrument to be revoked or modified only through negotiation between the three Allies and the Swiss government. Although American pressure might perhaps obtain revocation of this instrument, force the Swiss to sever all economic ties with the Central Powers, and enter exclusively into the Allied economic sphere, this was both unnecessary and undesirable as it could not be effected

without counter concessions, 'for all economic problems hang together'. It was therefore best to preserve the S.S.S. even though under this agreement some limited quantities of imported goods passed to Germany. It followed then that unless the United States were party to the S.S.S. agreement she could do nothing to affect Swiss re-exports permitted by its bye-laws. Her outside assistance was of doubtful utility. On the other hand, the blockade cause would be much advanced if the United States could be induced to divert Italian products from the enemy by purchasing silk and fruit in large quantities.

b) Domestic Swiss exports to the Central Empires had been greatly curtailed by general economic causes, assisted by constant Allied bargaining. But the fact that the Swiss had to export something to Germany (to obtain iron and coal which the Allies could not supply) set a natural limit to this process. Whether further pressure would be of any avail was doubtful as the limit had probably been reached in the Spring of 1917.

To sum up then, the most hopeful sphere of American co-operation was the diversion of Italian silk and fruit from the enemy.¹

In an accompanying minute Crowe explained that the insufficiency

1. Memorandum of Waterlow, 'Possible American Action', 5 June 1917, FO 382-1592-114996/17.

of means of pressure at British disposal with regard to the northern neutrals derived from the British government's dependence on the operations of prize courts. Consequently the Foreign Office was forced to invoke the aid of the United States in the form of export prohibitions as the essential principle of blockade activity to overcome this insufficiency. But with regard to Switzerland, he noted:

'It will be seen on consideration that the principle finds no application in the case of Switzerland, where our means of pressure or coercion rest not on the operation of international law in the prize court, but on the operation of the municipal law of France and Italy, through whose territories practically all imports into Switzerland must flow. It is clear that there is no difficulty whatever as to the machinery for applying pressure to any degree that may be considered desirable so long as the three allied governments are in agreement as to the action to be taken. It is for this reason that I share the opinion that we have no need or occasion to bring the United States at all into the question of how to control imports into Switzerland'. 1

Soon, however, there were indications in Washington that the Americans were about to take an active part in controlling imports into Switzerland (and the other neutrals bordering in Germany), regardless of Crowe's opinion about its necessity or utility. On 15 June 1917 an 'Espionage Act' was signed by President Wilson, giving him broad powers over United States commerce and trade, and on 22 June an Exports Council was created by executive order

1. Crowe's minute, ibid.

(based on these powers) to formulate export policy.¹ Fears that this body would soon advocate the enactment of harsh measures against neutral commerce were only partially dispelled by the assurance of the State Department to the Swiss that

'it is not the intention of the Government of the United States to interfere with the exportation of needed supplies to Switzerland or other neutral European countries where measures have been adopted to prevent the reshipment of such supplies to Germany and its Allies, subject always, of course, to the paramount needs of this country and its allies...'.²

This assurance notwithstanding, the American president proclaimed on 9 July 1917 a 'general embargo', prohibiting the unlicensed export to neutrals of a small list of products, including grain and fodder,³ which would be supplied, as the president declared in his accompanying statement, only after Allied needs had been filled.⁴ The Swiss felt this proclamation put them on the same level as America's declared enemies and before long experienced the effects of the embargo in the practical impossibility of obtaining export licenses from the Secretary of Commerce, especially for wheat, which for four months they were unable to

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1. On 12 Oct. 1917 the Exports Council gave way to the War Trade Council, and the War Trade Board became in effect America's Ministry of Blockade. Report of the War Trade Board, pp.2-6.
 2. F.L. Polk (Counselor for the State Department)-Ritter, 19 June 1917, letter, FR 1917, Suppl.2, II, 1168.
 3. Presidential Proclamation, 9 July 1917, FR 1917, Suppl.2, II, 903-905. The list of prohibited exports was augmented several times during the war.
 4. Bailey, op.cit. p.71.

purchase in the United States.¹ The aim of the American policy (as the border neutrals soon realized) was to coerce them into signing rationing agreements with the United States.²

Fortunately for the Swiss, the American government were, for political and sentimental reasons,³ particularly favourably disposed towards Switzerland and had no intention of throwing the Confederation 'into the arms of the enemy'. The Americans therefore inclined to greater leniency in dealing with the Swiss than they observed toward the northern neutrals. In the early autumn of 1917 they accordingly entered into discussion with the Swiss minister in Washington with regard to American-Swiss commercial relations, and apparently adopted a 'soft line' as suggested in their earlier assurance that it was not their intention to interfere with Swiss imports.

Naturally the capriciousness of their new ally bewildered the Foreign Office. Original British fears that the United States would disrupt the Swiss control system by imposing an uncompromising embargo were soon displaced by apprehension that the Americans were becoming too accommodating to the Swiss and would, by granting broad

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1. Wilson (Chargé in Berne)-Lansing, 24 November 1917, telegram, FR 1917, Suppl.2, II, 1180-81.
 2. Spring Rice-FO, 24 July 1917, telegram, FO 382-1592-146028/17.
 3. There was much talk about 'the two oldest republics in the world' and much lobbying by Swiss Americans.

trade concessions, squander the opportunity of exerting pressure on Switzerland if it were called for. It was with considerable relief therefore that the Foreign Office learned that the negotiations between the War Trade Board (established on 12 October 1917) and Hans Sulzer (the new Swiss minister in Washington) had come to an impasse.

The Swiss experts in the Foreign Office viewed these precipitous negotiations as an attempt by the Swiss government to separate the United States government from the Allies in arranging for the supply of American foodstuffs and raw materials on more favourable terms than the other Allies were willing to concede. There was, in fact, considerable irritation in the Foreign Office that the War Trade Board, a 'body conscious of its lack of experience in such negotiations and fully informed by H.M. Embassy of the extremely complicated nature of the blockade arrangements of the Allied Governments as regards Switzerland', should not have put Sulzer off by suggesting prior joint consultations with the British and French governments who were most intimately concerned with Swiss affairs.¹

The Quai d'Orsay shared Foreign Office apprehensions that the United States would concede advantages to the Swiss without obtaining appropriate counter concessions. But when M. Métin, who

1. Waterlow's report on the Swiss-American Agreement, 6 December 1917, FO 382-1593-234795/17.

had recently succeeded Denys Cochin as Minister of Blockade, visited London in September to discuss which demands on the border neutrals the entry of the United States made possible and desirable, he and Waterlow were hard pressed to find areas in which the Swiss section of the blockade could be improved. Both would have liked to eliminate Swiss aluminium, carbide, and ferro-silicon exports to Germany, but as these were domestic Swiss products they could not be interfered with. Some minor reductions in leather and preserved meat traffic seemed desirable but beyond this the measures against Swiss trade appeared entirely satisfactory.¹ The Allies therefore contented themselves with advising the State Department that they attributed the highest importance to the United States not binding herself in any way without previous consultation with the French who (nominally at least) directed the Swiss section of the blockade, so as to be free in future to exert pressure on Switzerland if it were ever needed. Above all the United States must not bind herself to passivity.²

In this regard, the first draft of the tentative treaty drawn up by the War Trade Board and the Swiss minister (which the State

1. Waterlow's minute on Spring Rice-FO, 17 September 1917, telegram, FO 382-1592-180507/17.

2. FO-Spring Rice, 5 October 1917, telegram, FO 382-1592-190527/17.

Department had in the end rejected) appeared to the Foreign Office as a thoroughly unsatisfactory arrangement 'in that it seem(ed) to bind the United States Government to meet Swiss demands for certain quantities of important goods, yet provid(ed) for no adequate compensation on the part of the Swiss'.¹ When the deadlock was reached (over, among other things, the question of lubricating oils for Swiss factories) the War Trade Board proposed to transfer negotiations to Paris where they would be taken up de novo.² As Paris was to be the scene of a major conference at which senior Allied blockade officials planned to integrate America's contribution into the general effort, Waterlow welcomed the unexpected decision to conclude the Swiss negotiations there as 'very timely' because 'it should be possible to settle the whole thing with the French there'.³

Waterlow briefed the American delegation on the Foreign Office view of the Swiss situation in an interview with Dr. Alonzo Taylor of the Department of Agriculture who accompanied Vance C. McCormick, head of the War Trade Board, during their quick visit to London before the Paris conference. Both men agreed that the

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1. FO-Bertie, 31 October 1917, dispatch, FO 382-1593-205566/17. This file contains a copy of the first draft of the agreement.
 2. Spring Rice-FO, 17 November 1917, telegram, FO 382-1593-220305/17.
 3. Waterlow's minute on Spring Rice-FO, 15 November 1917, telegram, FO 382-1593-218555/17.

final decision could be reached only in Paris. Waterlow's expert knowledge of Swiss affairs prompted the French Embassy in London to request the Foreign Office to dispatch him to the conference. In Paris, as he had predicted, Waterlow was able to complete the real business regarding Switzerland in a series of private meetings with French blockade officials before the actual opening of the conference.¹

Waterlow and the French agreed that burdening Switzerland with excessive demands at this time was irrational and impolitic. It was irrational because the obligations of the Allied-Swiss agreement signed in May 1917 reduced Swiss agricultural exports to Germany to an entirely satisfactory level and, according to reports from Sir Horace Rumbold and R.L.Craigie, the elimination of Swiss exports of machine tools and electro-metallurgical products, of aluminium and calcium carbide, if achieved, would not seriously inconvenience the Germans, as other sources were open to them. Moreover, these exports yielded a revenue of four million pounds sterling,² which was indispensable for Swiss purchases of coal and foodstuffs. The attempt to suppress this export trade would only accentuate the tendency of Switzerland to become an economic vassal of Germany by forcing her to reject the Allied demands and to throw in her lot with the Germans in order to obtain coal and, as the German

1. Waterlow's report, 6 December 1917, dispatch, FO 382-1593-234795/17.

2. Bell, Blockade, p.639.

minister in Berne not obscurely hinted, wheat from Rumania in the Spring of 1918.

Excessive demands at this juncture would have been impolitic as well, as the Central Empires had never been more powerful. The collapse of the Russian and Rumanian armies would, it was expected, soon release large forces for the Western Front, and the Italian second army was withdrawing in confusion from Caporetto to the Piave. Fears of an invasion of Switzerland were acute as Swiss Intelligence reported that five Austro-German divisions had been moved from the Piave front and could no longer be located: the possibility of a quick rush through the St.Gotthard Pass to turn the Italian line by an attack in Lombardy was causing the Swiss extreme anxiety.¹ To exacerbate these fears by threatening the Swiss with further economic sanctions would serve only to lose their good will without gaining compensating advantage.

As increased economic pressure on Switzerland was under these circumstances out of the question, Waterlow and the French decided, though they regretted having to squander the opportunity to keep alive the potential threat from America, to agree to the (slightly revised) Swiss-American agreement since it 'practically does no more than confirm the status quo as regards the Swiss part

1. H. Wilson (Chargé)-Lansing, 22 November 1917, telegram, FR 1917, Suppl.2, II, 1179-80. Wilson's geography was weak: the Central Powers would most probably have used the Engadine Valley in Graubünden, and not the St.Gotthard.

of the blockade'.¹ Moreover they saw propaganda value in the grain clauses of the treaty, though on strictly economic grounds the clauses were, from the Allied point of view, unnecessarily concessive, as the Swiss had grain stocks for four months. Providing some wheat immediately, however, would do much to allay Swiss anxiety: the problem was not starvation, but the fear of starvation which haunted the Swiss.

The British minister in Berne concurred with these views as he judged the fear of starvation among the Swiss was real, and suggested diverting two wheat ships from Canada for the Swiss in order to dispel it.²

The Swiss-American treaty³ was duly signed on 5 December 1917 with the reluctant blessing of the Allies who, though they were officially no party to it, lamented what they regarded as the treaty's exorbitant leniency to the Swiss. The original draft, deriving from the October meetings in Washington, which the Foreign Office had considered inadequate, had necessarily to serve as the basis for the final revised treaty because (as Waterlow complained) the Americans were committed to it by amour-propre. The treaty itself,

1. Bertie-FO, 30 November 1917, telegram, FO 382-1593-228568/17.

2. Rumbold, FO, 3 December 1917, telegram, FO 382-1593-230654/17.

3. 'Memorandum of December 5, 1917, between the War Trade Board and the Swiss Government in Regard to Exports from the United States to Switzerland', FR 1917, Suppl.2,II, 1185-96.

which regulated Swiss-American trade until 30 September 1918, contained no provision for further restricting Swiss exports to Germany. The only positive result seemed to be that the Swiss were guaranteed 240,000 tons of cereal between 1 December 1917 and 1 September 1918 (when the Swiss harvest was due), and the tonnage to carry it, and that an American was to sit on the C.P.I.C. in Paris and the Inter-Allied Commission in Berne. Much had been given to the Swiss and nothing required of them.

Crowe resigned himself to the loss of this unique opportunity for making the Swiss sector of the blockade at least potentially airtight only because 'it was inevitable in the circumstances'. Lord Robert Cecil felt the treaty provided an unfortunate precedent for the other neutrals as the grain allotment was unduly generous.¹

It was not the grain allowance but the guarantee to provide ships to transport it which caused difficulty, and this not with the other neutrals, but between Great Britain and the United States. According to the English text of the agreement, the 240,000 tons of grain were 'to be transported on Allied ships, or on ships supplied to Switzerland for this purpose'. This clause represented a decision taken by the Ravitaillement section of the inter-Allied conference in Paris, and was presented to the general meeting as a fait accompli

1. F.O. minutes on the text of the Swiss-American agreement,
FO 382-1593-234795/17.

on 4 December.¹ The Foreign Office apprised the Ministry of Shipping of the final wording of the treaty with considerable embarrassment for it appeared on careful reading that the terms of the treaty committed that body to supplying additional tonnage for the Swiss at a time when the depredations of the U-boats and the transport of supplies to the American army in France were putting an intolerable strain on shipping resources.²

Waterlow had been absent from the Ravitaillement meeting in Paris which had drafted the clause, but on investigation it appeared that Lord Rhondda of the Ministry of Food and Sir John Beale of the Wheat Executive ('The Royal Commission on Wheat Supplies') had attended. This meeting had in fact passed an excellent (because harmless) resolution regarding Swiss supplies, but later M. Delavaud of the French Ministry of Blockade, as Waterlow expressed it, 'presented a garbled and dangerous version for French window-dressing purposes'.³ The British, who were not especially

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1. Waterlow's report, 6 December 1917, dispatch, FO 382-1593-234795/17.
 2. FO-Ministry of Shipping, 17 December 1917, letter, FO 382-1593-231148/17.
 3. Wheat Executive-FO, 21 December 1917, letter (+minutes), FO 382-1593-241541/17. The original resolution of the Food and Transport section of the conference read: '...les transports maritimes devant être assurés par les soins de la Suisse.' The resolution presented by Delavaud ran '...la Suisse doit recevoir . . . un contingent garanti de céréales panifiables de 240,000 tonnes livrables de préférence par le port de Cette . . . Les transports se feront sur tonnage allié ou sur tonnage mis à la disposition de la Suisse pour cela'. The latter was incorporated in the agreement.

enthusiastic about the American agreement with Switzerland in any case, felt the real onus of fulfilling this clause fell on them while the French and the Americans came off with the laurels for magnanimity to the Swiss. Besides, the additional shipping was simply not available. Therefore, in spite of the representations of the Swiss minister in London and against the advice of Waterlow who felt it would be 'impolitic' of the British to wash their hands of the matter,¹ the Foreign Office announced to the French and the American governments that the British government would accept no wider responsibility than the original text called for.²

Dr. Taylor immediately retorted that the clause was drafted at the Paris meeting of the Comité de Ravitaillement at which the Foreign Office had been represented, and since they had thus joined in the unanimous consent to the clause, they had assumed the responsibility for supplying Switzerland with ships to transport the 30,000 tons a month of cereals. This the Foreign Office denied vigorously.³ Sir John Beale, Chairman of the Wheat Executive, who had in fact attended the meeting, assured the American ambassador in

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1. Minutes by Crowe and Waterlow on the English text of the Swiss-American Agreement, 28 December 1917, FO 382-1593-244547/17. Waterlow suggested the Foreign Office find out how far the Allies felt bound to the treaty and then make shipping available in return for a loan from the Swiss which had been under discussion since the summer of 1917.
 2. FO-Bertie, and FO-Spring Rice, 28 December 1917, telegrams, FO 382-1593-241541/17.
 3. Spring Rice-FO, 28 December 1917, telegram, FO 382-1593-245491/17. Waterlow's comment: 'Characteristic. I was not told of the meeting, knew nothing about it, and was not present at it.'

London that the British had in no way promised to supply the transport. He added however that if the necessary tonnage could be found, satisfactory credits should be granted in exchange by the Swiss.¹

The State Department felt the British attitude made a travesty of the agreement since the British interpretation of the clause as a right to buy ^{GRAIN} but not to have the means of transport put the Swiss where they were before, as they had never had difficulty in buying, but only in transporting grains. 'The Swiss appeal for relief was an appeal for tonnage', concluded Lansing, and added, 'as for the loan, it does not seem to be in accordance with international equity to request a loan in performance of what we have already agreed to do'.²

When Washington's appeals to their better nature (it could not be an appeal to contractual obligations as the British had not been party to the Swiss-American agreement) left the Foreign Office unmoved, and an American proposal that the British provide the Swiss with 60,000 tons of grain from their own stocks evoked no response, Ambassador Page was instructed to threaten drastic measures. If the British manifested continued reluctance to

1. Page-Lansing, 8 January 1918, telegram, FR 1918, Suppl.1,II, 1593-94.

2. Lansing-Page, 15 January 1918, telegram, FR 1918, Suppl.1,II, 1595-96.

provide tonnage for the Swiss, the United States would feel compelled to withdraw grain from Allied allocations and to take ships out of Allied transport service into Swiss grain service.¹ But this threat was never carried out.

Eventually the Americans resorted to having the United States navy convoy American ships charged with grain for the Swiss to French Atlantic ports,² until an arrangement was worked out with the German Ministry of Marine (through the Swiss Political Department) whereby properly marked American merchantmen would be granted free passage to Cete unmolested by German U-boats.³ The United States was enabled by these methods to supply 157,000 tons of grain to the Swiss by the end of September 1918, and continued to provide shipments in discharge of its obligation to supply 240,000 tons even after the commercial agreement of 5 December 1917 expired by limitation on 30 September 1918.⁴

In encouraging British co-operation in finding the needed tonnage for Swiss supplies, the Foreign Office had hinted to the Swiss government that a loan from the Swiss would not be without effect.

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1. Polk-Page, 19 January 1918, telegram, FR 1918, Suppl.1,II, 1596-97.
 2. Lansing-Stovall, 3 May 1918, telegram, and Lansing-Stovall; 22 May 1918, telegram, FR 1918, Suppl.1,vol.II,pp.1619-20 and 1624.
 3. Prior to this time the Germans had granted immunity to neutral ships carrying cargoes to Cete for ultimate delivery to Switzerland -- some 470 such voyages were made by March 1918 -- but according equal privileges to enemy ships was surely an extraordinary concession.
 4. Bailey, op.cit., p.270.

As Swiss banks had provided credits to both belligerent groups -- 50 million francs to a consortium of French banks in July 1916, 50 million to a German group in September 1916, 93 million (depending on the amount of coal delivered) in August 1917 to the Germans, and again 37.5 million francs to the French in September 1917 -- the British hoped to obtain similar credits for their own benefit. Purchases in Switzerland of munitions, machine tools, watches, precision instruments, chocolate, and condensed milk had contributed to the general fall in the value of sterling, and the Treasury was consequently anxious to make payment for these goods in francs rather than in pounds.¹

According to international law specified in the Hague Conventions, a neutral government may not itself lend money to a belligerent, although they may allow and even encourage a subject to do so as long as they permit similar treatment to other belligerents.² During negotiations with Germany in the summer of 1917, the Swiss government had encouraged a syndicate of banks to provide the Germans with credits to secure coal deliveries. Rumbold's hints in August to friendly banks in Berne, Lausanne, and Neuchâtel that the Foreign Office viewed their participation in the German loan with

1. The pound reached a low of 20.95 Swiss francs on 8 August 1917 (the 1914 price of sterling was about 25.25 francs).

2. Minute of Mr. Malkin on a loan from Switzerland, 14 August 1917, FO 382-1570-157774/17.

dissatisfaction distressed the Swiss Minister for Foreign Affairs who, enquiring if Rumbold were acting on instructions, begged him to desist, as coal deliveries depending on the loan were indispensable to the Swiss. To the Foreign Office Rumbold suggested, instead of attempting to penalize Swiss banks, asking for a substantial loan under the title of equal treatment.¹

The Foreign Office realized noone would be the gainer if the German-Swiss negotiations were wrecked, and the Treasury agreed that the negotiations should be allowed to continue to their conclusion so as to ensure German coal for Switzerland but advised 'diplomatic action' immediately afterwards to secure the assistance of the Swiss government in raising a loan on British account.² A few days after the agreement with Germany (dated 20 August 1917) was signed, Federal Councillor Ador informed Rumbold that the Swiss government was then prepared to encourage a loan to the Entente on the same conditions as the one to Germany.³

The French, however, began independent negotiations and obtained on 29 September 1917, in consideration of various concessions regarding transport facilities and the import of Swiss luxury items, their second credit (12,500,000 francs a month for

1. Rumbold-FO, 15 August 1917, telegram, FO 382-1571-160246/17.

2. Treasury-FO, 27 August 1917, letter, FO 382-1571-167813/17.

3. Rumbold-FO, 5 September 1917, telegram, FO 382-1571-174453/17.

three months).¹ Though the Treasury had favoured interallied negotiations for a loan (of an aggregate value equal to that accorded to the Germans), the Foreign Office were happy to avoid the complications of dealing with a third party and to keep their own negotiations separate from the French. Rumbold was instructed to open talks for an advance to Great Britain of 12,500,000 francs a month for ten months (125 million francs in all) repayable in ten years time. Rumbold was to suggest that the continued import of Swiss luxury items into the United Kingdom and the chartering of neutral ships might be conditioned on obtaining these credits.²

Releasing tonnage to the Swiss as a quid pro quo for their making credits available to the British thus became an instrument of Foreign Office policy. When the Swiss Central Bureau for Transport³ submitted a memorandum to the British minister in Berne,

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1. Rumbold was surprised at the nature and the size of the French loan, and was piqued that they had entered into negotiations without consulting the British government. Rumbold-FO, 2 October 1917, telegram, FO 382-1572-190923/17.
 2. FO-Rumbold, 17 October 1917, telegram, FO 382-1572-196176/17.
 3. This agency (known as 'Fero') was established in March 1917 to aid Swiss traders in transporting their goods on land and sea. Because of a general dearth of railway stock and the shortage of tonnage on the seas, the Bureau achieved indifferent results.

suggesting they be allowed to purchase outright ten vessels for their own use rather than lease cargo space on foreign ships assigned by the Interallied Chartering Committee, Rumbold opposed this plan on the ground that 'it would deprive us of one of our strongest weapons in prospective negotiations for a loan'.¹ On the other hand, he was keenly aware of Swiss transport needs and urged the Foreign Office that 'every effort be made by Great Britain to assist Switzerland in obtaining necessary tonnage'²(through the Chartering Committee), but never beyond the point where the Swiss would become independent of British patronage.

Nevertheless, Rumbold experienced during October and November much difficulty in negotiating the loan on terms suggested by Whitehall.³ The Treasury therefore sent Sir Hugh Levick to assist him in the negotiations. Levick was a financial expert of long experience in Treasury matters who had organized for the Swiss government a 15 million dollar loan from a group of American banks in March 1915.⁴ It was expected that the negotiations would

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1. Rumbold-FO, 29 October 1917, telegram, FO 382-1572-207345/17. The Swiss government got the ships only after the armistice.
 2. Rumbold-FO, 22 November 1917, telegram, FO 382-1573-223976/17.
 3. 12.5 million francs over a period of ten months, repayable in ten years time, at 4.5 percent.
 4. Treasury-FO, 29 November 1917, letter, FO 382-1573-227923/17. Cf. Pfenninger, op.cit., p.67.

be completed swiftly and successfully under his direction. It can well be imagined with what chagrin then he and Rumbold learned of the announcement that the Interallied Conference in Paris had, by their approval of the Swiss-American agreement of 5 December 1917, guaranteed the provision of tonnage for Swiss needs. With thinly veiled irritation Rumbold cabled for instructions from the Foreign Office, asking what lever might now be used since the assurance that Allied ships would be employed in Swiss service 'cuts the ground from under our feet' in negotiating the loan.¹

The strengthened bargaining position of the Swiss was soon reflected in harsher terms. In an interview with Rumbold and Levick in December, Federal Councillor Schulthess stipulated the Swiss would require 60,000 tons a month of shipping (instead of 50,000 tons) as a counter concession for the loan which would total only 8 million francs a month for ten months (instead of 12.5 million). The interest rate, it was suggested, would have to be raised above the usual 4.5 percent. Rumbold reported that negotiations were at a standstill after these counter-proposals, and deprecated the loss of the 'lever of shipping' through the United States guarantee. 'It is evident that the Swiss Government, having been relieved of anxiety regarding their supply of bread corn, can now feel at liberty to try to drive the hardest possible bargain with us.' He advised against cancelling

1. Rumbold-FO, 7 December 1917, telegram, FO 382-1573-233448/17.

munitions contracts as a reprisal, since this would affect mainly French Switzerland, but thought that an import prohibition on luxury products (embroideries, etc.) might encourage the Swiss government to view the loan more favourably.¹ With the ruin of the tonnage scheme for forcing a loan, a policy of delaying the issue of export licenses and of limiting the import of Swiss products afforded the British government the best means of getting what they wanted.²

When it became apparent at the end of December that negotiations had reached a deadlock, Levick returned to London for consultation with the Foreign Office and the Treasury.³ His report convinced the Foreign Office officials that some action should be taken to galvanize the Swiss government into activity. Lord Robert Cecil therefore requested the concurrence of the Secretary of the Board of Trade in refusing licenses for the import of Swiss

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1. Rumbold-FO, 15 December 1917, telegram, FO 382-1593-297967/17.
 2. The Foreign Office suggested to the War Trade Department that licenses for the export of e.g. copper sulfide, which was desperately needed by the Swiss for viticulture, be refused 'until negotiations for a loan show some prospects of reaching a satisfactory conclusion'. Minute of Waterlow on Rumbold-FO, 17 December 1917, dispatch, FO 382-1565-242866/17.
 3. Rumbold-FO, 28 December 1917, telegram, FO 382-1573-245737/17.

silks, embroideries, and lace work. Though such action might possibly provoke the Swiss into reducing their purchases of English cotton cloths and yarns, Lord Robert anticipated that the mere threat to terminate traffic in Swiss luxury goods would suffice to ensure a successful issue of the loan.¹

Immediately Rumbold let it be known in Berne that the British government was planning such a move, a group of Swiss bankers and industrialists met and accepted in principle granting a loan of 8 million francs and possibly more.² Federal Councillor Calonder, Chief of the Political Department, and president of the Confederation for 1918, then appealed to Rumbold to do his utmost to expedite the loan negotiations.³ The Foreign Office, sensing they had touched on a tender Swiss nerve, instructed Rumbold to 'maintain for the moment an attitude of indifference and reserve'.⁴ Yet when he and Levick next met with the Swiss delegates on 25 January 1918 to consider the draft of the agreement, they were surprised to find the Swiss had receded very little from the terms proposed in December.⁵

1. Cecil-Secretary of the B. of T., 8 January 1918, letter, FO 382-1981-4542/18.
2. Sawyer-Rumbold, 11 January 1918, letter, FO 382-1981-10633/18.
3. Rumbold-FO, 10 January 1918, telegram, FO 382-1981-6626/18. Waterlow's minute: 'Satisfactory. We have got them worried and need be in no hurry.'
4. FO-Rumbold, 12 January 1918, telegram, ibid.
5. These ^{new} terms were: ten million francs a month in exchange for (1) 70,000 tons a month of imports actually delivered in Switzerland not in French or Italian ports where they could be requisitioned or otherwise delayed,

/contd. over/

The Foreign Office viewed these terms as 'unacceptable', so Rumbold was told bluntly to reject all three Swiss demands and to 'start from there'.¹

Meanwhile, the Board of Trade had approved the reduction in British imports of Swiss luxury goods. They were to continue to issue import licenses for these goods under the arrangements then in force until 1 April 1918, when this traffic would be stopped. The Foreign Office announced this decision to the Swiss government in a note on 29 January 1918, and within a few weeks Rumbold reported that the Swiss were showing 'a great desire to hurry negotiations'.² The

reference 5 continued:

- (2) British acquiescence in general Swiss trade with the northern neutrals via the Rhine,
- (3) the delivery of specific quantities of tin, raw materials for dyes, asbestos, sulfate of copper, etc.

Rumbold-FO, 25 January 1918, telegram, FO 382-1981-16387/18. Waterlow commented: 'the Swiss are opening their mouths very wide'. 70,000 tons delivered actually meant 109,000 tons of deadweight shipping. The Swiss quota of shipping was 78,000 tons deadweight, which carried 50,000 tons of goods. In fact, the Swiss quota was never filled after unrestricted submarine warfare broke out in February 1917.

- 1. FO-Rumbold, 4 February 1918, telegram, ibid.
- 2. Rumbold-FO, 22 February 1918, telegram, FO 382-1981-34913/18.

Swiss minister in London stopped in at the Foreign Office to discuss the situation with Sir Eyre Crowe on 4 March, seeking assurance that the import of Swiss luxury products would not be shut off in the event the loan were granted. Waterlow, however, informed Crowe that no direct connection had been established between the loan and the import prohibition which, in the Treasury view, was per se desirable as of 1 April 1918 to stem the outflow of sterling.¹

Nevertheless both men agreed that a complete cessation of Swiss luxury product purchases would be 'dangerous' because of consequent unemployment in Switzerland. Carlin was therefore informed a week later that the British government had decided to continue the arrangements in force since 1917 with regard to silks, laces, and cotton embroideries, but under the proviso that reconsideration might be necessary if (a) the loan negotiations aborted, and (b) if the value of the pound in Switzerland did not reach a satisfactory level.²

The Swiss were at last brought to bay after seven months of discussion. On 20 March 1918 the Swiss representatives³ signed with Rumbold and Levick an agreement whereby the Federal Council authorized a Swiss financial consortium to make advances to a group

1. Memorandum on a conversation with Carlin, 4 March 1918 (+ minutes), FO 382-1982-46462/18.

2. FO-Carlin, 13 March 1918, letter, ibid.

3. Mm. Heer, de Haller, Grobet-Roussy.

of English banks of amounts up to 10 million francs a month for ten months (till 31 January 1919) on a sliding scale depending on the delivery of stipulated amounts of Swiss imports in European harbours and the maintenance of British imports of Swiss luxury items.¹ Two reasons underlay the Swiss acceptance of this agreement which the Foreign Office judged 'a very satisfactory conclusion to some very tedious negotiations':

(1) Federal Councillor Schulthess, Head of the Department of Public Economy, was personally anxious to conclude the negotiations in order not to earn the odium of delaying other matters intimately connected with the loan,

(2) the Swiss wished to get the loan out of the way before the start of negotiations with the Germans on 31 March 1918 as the latter were 'showing themselves very arrogant'.²

Granting the loan unfortunately proved no panacea for the economic ills which beset the Swiss, for both groups of belligerents, far from relaxing control, continued inexorably to increase pressure

1. The terms of the loan were something of a compromise. The interest rate was 5 percent per year. The full 10 million francs would be advanced if the 50,000 tons a month (78,000 tons deadweight) were discharged in French or Italian harbours. The text is found in FO 382-1982-55927/18.

2. Rumbold-FO, 21 March 1918, dispatch, ibid.

on Swiss commerce as the war drew to its close. Schulthess's fears regarding 'other matters' intimately connected with the loan were fully justified. Although the Board of Trade agreed at the time of the loan negotiations to continue issuing licenses for the import of Swiss luxury products until 30 June, they refused, under constraint from the Treasury, to extend these facilities beyond that date, and issued a circular to that effect to the British Chamber of Commerce during May.

Carlin feared the inhibition of this trade would have a demoralizing effect on the industrial situation and felt the British government had deceived the Swiss by receding from their assurances of 13 March, especially since the loan had gone through and the pound was at that time (May 1918) rising in value.¹ During June he presented a long memorandum to the Foreign Office, explaining the hardships of unemployment and financial loss for the Swiss which a British import prohibition would entail. Crowe was impressed by the Swiss minister's arguments and hoped, by representation to the Board of Trade and to the Treasury, that 'some less

1. Memorandum by Crowe on a conversation with Carlin, 13 May 1918, FO 382-1982-85622/18. Strictly speaking the British were acting with perfect propriety as they had bound themselves in the 20 March agreement only 'to do all they could' to maintain Swiss imports.

Draconian treatment can be allowed to the Swiss'.¹

The Board of Trade were, of course, not adverse to strengthening commercial ties with the Swiss, but as the Treasury eschewed all concessions in view of the rapid fluctuations since 1917 in the value of sterling on the Swiss money market,² the Department of Import Restriction (of the Board of Trade) were unable to consider the renewal of quarterly licenses for the goods under question.

Carlin's representations became increasingly anxious, if not desperate, as the 30 June deadline approached, but the Lords of the Treasury retained a sphinx-like indifference to the Foreign Office pleas and expostulations on his behalf. At the eleventh hour, however, they relented to the extent of considering a prolongation (ultimately till 15 September)³ of licensing on the current scale if the Swiss government, for their part, would arrange to advance each month to His Majesty's government an amount not less than the monthly value (in francs) of the silks and embroidered goods imported from Switzerland into the United Kingdom.⁴ The

1. Carlin-FO, 4 June 1918, letter (+ minutes), FO 382-1982-100162/18.

2. Treasury-Board of Trade, 7 June 1918, letter, FO 382-1982-101977/18.

3. Treasury-FO, 30 July 1918, letter, FO 382-1982-132680/18.

4. Treasury-FO, 27 June 1918, letter, FO 382-1982-114387/18.
FO-Carlin, 1 July 1918, letter, ibid.

Swiss minister, though grateful for the extension, was not sanguine about the possibility of such a loan as 'les industries et institutions suisses sont arrivées à la fin de leurs ressources', and announced the dispatch to London of a delegation of Swiss manufacturers who would show in detail the dangers vitaux which threatened the Swiss textile industry because of the British policy.¹

The Swiss delegation received a frosty welcome. Only if the Treasury altered their attitude would the Department of Import Restrictions of the Board of Trade see the delegates since they could say nothing to the Swiss beyond what the Treasury had been saying for weeks: no loan, no imports. Meanwhile, as Carlin was clamoring to know to whom the Swiss delegation were to address themselves, the Foreign Office felt constrained to summon a sham meeting to receive the Swiss and under the circumstances to accept the blame for the Treasury refusal. The meeting, attended by an impressive, if ineffective, assembly of Foreign Office potentates, never rose above the level of 'desultory discussion', and the Swiss retired empty-handed, promising to put forward proposals in the immediate future.²

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1. Carlin-FO, 29 July 1918, letter, FO 382-1982-131078/18. This letter was forwarded to the Treasury, who were not impressed, though they agreed to an extension of licensing until 15 September if a loan were eventually to be granted.
 2. Memorandum on the meeting between Commander Leverton Harris, Sir Hugh Levick, Mr. Dudley Ward, Col. Peel, and Mm. Carlin Weercher, Schwarzenback, Heusler, 8 August 1918. FO 382-1983-138224/18.

The proposals -- more precisely a litany of Swiss economic woes, the high price of German coal, and the evils of mass unemployment, with the assurance that Switzerland would grant no further credits to the Central Powers -- were forwarded on receipt at the Foreign Office to the Treasury with a plea by Lord Robert Cecil for more lenient treatment of the Swiss.¹ But the Lords of the Treasury rejected this plea and accompanied their rejection with a more perspicuous analysis (as Crowe conceded) of the Swiss political situation than any the Foreign Office officials had produced.

The Swiss, they claimed, had in essence given Germany a loan by accepting (May 1918) a doubling of the price of coal.² The primary consideration as regards the Swiss was presumably the political which (even though, with exquisite irony, they admitted to being incapable of properly estimating it) confirmed the Treasury Lords in their previous attitude. The Swiss textile exports were luxuries for whose prohibition there were excellent reasons even in peace time; all the more so in wartime, since they depreciated the exchange and jeopardized the purchase of more important commodities.

1. Cecil-Treasury, 23 August 1918, letter, FO 382-1983-145773/18.

2. See below, pp. 320, 324.

In their desire to conciliate the Swiss, the Treasury had proposed an appropriate loan entirely within the capacity of the Swiss to pay, and altogether reasonable as the balance of payment between the United Kingdom and Switzerland was leaned substantially in the latter's favour. Though the Swiss were pressing on the United Kingdom products which they had no desire to take, the Treasury were willing to cooperate if a loan were provided to mitigate the consequent depreciation of the pound. But the Swiss persisted in rejecting this proposal and at the same time painted in the blackest colours the effect of a British import prohibition on the luxury products of the Swiss textile industry. The Lords begged to submit it was improbable that the Swiss authorities would persevere in their refusal to grant a loan if the consequences were as disastrous as claimed. Moreover, 'the interests of the Swiss textile industry are a concern of the Swiss government rather than of His Majesty's government', and it was unreasonable to ask His Majesty's government to help when the Swiss government were themselves 'apparently unwilling to make the very slight effort which is required if they are to help themselves'.¹

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1. Treasury-FO, 29 August 1918, letter, FO 382-1983-148371/18. Lord Robert Cecil and Sir Eyre Crowe were impressed with these arguments from the Treasury and consequently decided to shelve a proposal to bring the 'cavalier treatment' of the Swiss by the Treasury to the attention of the War Cabinet.

The substance of the Treasury memorandum was transmitted to Rumbold on 13 September 1918, and though the Swiss claimed this would put 40,000 textile operatives out of work, no import licenses for Swiss silks, ribbands, or embroideries were issued after the 15th of September.¹ There was much talk in Berne about the suggested loan during the autumn and winter, but the discussions were inconclusive.² Consequently no Swiss 'luxury textiles' were imported into Great Britain until 1919, many months after the armistice, and it was years before the St. Gall textile manufacturers recovered from this bitter loss.

Included in the 'other matters' connected with the British loan of 20 March 1918 which had caused Schulthess such anxiety was the question of cotton imports into Switzerland. The relentless course of economic war was devastating the Swiss textile industry in a two pronged attack: refusing (as we have seen) to accept its products, and cutting off its supplies at the source. Since 1916, the control afforded by the S.S.S. had achieved matchless success in regulating Swiss exports to Germany.³ The S.S.S. rations allowed 2500 tons a year of cotton goods to be imported from overseas into the Confederation where much of it was printed, embroidered, made into lace, or otherwise improved, and then re-exported as luxury items at a corresponding price.

1. FO-Rumbold, 13 September 1918, telegram, FO 382-1983-157007/18.

2. At the suggestion of the Treasury, these talks were abandoned in December 1918. FO-Rumbold, 21 December 1918, telegram, FO 382-1983-209672/18.

3. Memorandum of the War Trade Statistical Department on Direct

After the Germans, along with the Allies, had in 1917 issued prohibitions against the import of these goods to check the progressive devaluation of the Reichsmark, the Allies had no reason to question the ultimate destination of their cotton exports. Since neither group of belligerents would accept Swiss luxury textiles, new markets were found in Holland and Scandinavia where, by the end of 1917, considerable quantities of cotton goods were being sold.¹ The number of people employed in Swiss textile factories and in home industries, and the profit realized from sales to the northern neutrals, lent great importance to these new markets and induced the Swiss to grant large concessions to the Germans so as to obtain the necessary German transit licenses. Discussions, at first private, and then on the official level, led to the Swiss-German agreement of 13 November 1917 by which the Germans agreed to issue transport and import licenses for the textiles in question if the Swiss would allow the

reference 3 continued:

Exports from neutral countries to Germany, 8 September 1917,
FO 382-1559-175842/17.

1. Skipworth-Rumbold, 12 March 1918, letter, FO 382-1975-45919/18. The use of the Rhine for transporting S.S.S. goods from Switzerland to the northern neutrals had been allowed by the Allies during the negotiations which led to the agreement of 20 March 1917. Assiduous Swiss traders had also developed a market for their goods in Russia, for which they employed the route: Rhine-Sweden-Russia.

export of large stocks of German held cotton goods in Switzerland (built up before the general German import prohibition of 16 January 1917), silk goods, cotton embroideries, and used cotton cloth, under terms of credit which were extraordinarily favourable to the Germans and would ensure against a further drop in the value of the mark.¹

The Foreign Office were, of course, aware of these developments but viewed them with a benign eye since exports to the northern neutrals provided a useful outlet for Swiss products under intensified blockade pressures, gave promise of ousting German competition in certain areas of the northern markets, and served 'to keep the Swiss quiet under the increased restrictions which we are every day imposing on their trade'.² This rosy picture was clouded, however, by a disturbing growth in cotton exports to Germany itself, and in the cotton stocks held by Germans in Switzerland. The deliveries to Germany remained within the quota set by the S.S.S. agreement for trafic de perfectionnement exports, though reports were brought to the attention of the Foreign Office that these regulations were being abused by shipments of large pieces of cotton tissue (the export of which was prohibited) with a few dots of embroidery under the guise of 'luxury textiles', or³

1. Pfenninger, op.cit., pp.94-97.

2. Waterlow-L.P. Sheldon (War Trade Board representative in London), 21 March 1918, letter, FO 382-1975-51725/18.

3. Guichard relates, for example, that one day in May 1918 customs

by consignments of second hand cloth which had not been anticipated in the S.S.S. regulations. Furthermore the increased stocks of cotton tissue in Switzerland, representing enormous actual and potential value for the Germans, caused anxiety among the Allied governments who were already looking to the post-war markets.

Accordingly, a note verbale was presented by the French ambassador to the Political Department on 4 February 1918 which, after noting the increase in cotton exports to the enemy (though they were legitimate) and the growth of German cotton stocks through the insufficiency of Swiss measures to keep them in check, expressed regret that 'la circonstances de la guerre . . . à l'heure actuelle' necessitated a review of the S.S.S. regulations regarding cotton.¹

The presentation of this note was followed by a long series

reference 3 continued:

officials noticed that shirts, 12 meters in length and containing scarcely any embroidery, were being exported under the description of 'embroidered goods'. Guichard, op.cit., p.270. Abuses of this sort must have been relatively rare, however, as the Swiss government were under constant pressure from the Allies to discover and punish any irregularity at the frontier.

1. Beau-Pol.Dept., 4 February 1918, note verbale. Contained in Rumbold-FO, 6 February 1918, dispatch, FO 382-1970-27044/18.

of meetings between the members of the interallied commission in Berne and representatives of the S.S.S. and the Swiss government,¹ which culminated in the signing of an agreement on 8 May 1918. The details of this agreement (as was the case with all understandings about cotton) were highly technical, but in general terms the export of embroideries was further limited, certain stocks of cotton were confiscated by the Swiss government, and the export of the remaining stocks, after the cessation of hostilities, was subject to Allied regulation.

By this agreement the capstone of Allied blockade measures in regard of Switzerland was fitted into place: there was no more to be done. The most assiduous investigation failed to discover any flaw in the blockade wall, and tireless statistical investigation disclosed reassuringly the confinement of Swiss import trade to the narrow gate of S.S.S. supervision. Imports into Switzerland were reduced to a volume commensurate with the needs of domestic consumption,² but insufficient to permit their re-export to the Central Empires in any but negligible and prescribed quantities.

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1. The Allies were Craigie, Carletti, Dresel (U.S.), and Piaton. For the Swiss: Grobet-Roussy, Heer, Ilk . The Proc s Verbaux of these meetings are found in FO 382-1970-89634/18.
 2. This occasioned much hardship for industries predicated on a healthy export trade. Two-thirds of the embroidery machines in St. Gall, for example, lay idle after the May agreement. Rumbold-FO, 29 June 1918, telegram, FO 382-1973-116066/18.

For the Allies it remained only to ponder the uncertain effects of the blockade on the economies of the Central Empires and to await the hopefully early cessation of hostilities.

In whose favour the hostilities would eventually be terminated was, of course, uncertain in the Spring of 1918. Though the German General Staff had seen their two greatest efforts to achieve victory in the west --Verdun and submarine warfare -- come to grief, a general conviction reigned in Kreuznach that the great Spring offensive of 1918 would drive a wedge between the two Allied forces and bring the war to a victorious conclusion. This confidence was reflected in German diplomacy toward the neutrals and in particular toward the Swiss during what turned out to be the last months of the Second Reich.

The regulation of Swiss-German commercial relations by the General Agreement of 2 September 1916, which expired on 30 April 1917, had been prolonged, under certain modifications,¹ until 31 July of that year by the economic agreement of 3 May 1917. In a third agreement signed on 20 August 1917 the Swiss succeeded, by accepting a 50 percent rise in the price of coal (from ca.60 to 90 francs a ton), and by proportioning credits to monthly coal deliveries, in raising slightly their coal imports from Germany.²

1. German coal deliveries were reduced from 253,000 tons a month to 200,000 tons a month (in theory; in practice the Swiss received about 150,000 tons), and certain concessions were made to Swiss textile exporters in consideration of a sizable credit to the Germans.

2. The German minister in Berne was instrumental in increasing coal deliveries to Switzerland. He gathered that Swiss confidence in

The concept of war material --hitherto confined by the Germans to weapons, munitions, explosives, and special types of machine tools -- was widely extended, and the Swiss government obliged themselves to cooperate with the Treuhandstelle Zürich and the Ausfuhrkommission II in treating requests for the export of war material to the Entente with no less severity than requests for the export of Allied material to the Central Powers. These trade regulations were to last until 30 April 1918.¹

Between the signing of the August 1917 agreement and its expiration in April 1918 the military situation of the Central Empires improved enormously. Defeated in the field and torn internally by revolution, Russia was forced to accept the peace of Brest Litovsk.

reference 2 continued:

Germany's ability to supply coal was shaken, and they might therefore become more dependent on the Entente. 'Der Schweiz muss der Rücken gestärkt werden, damit sie gegenüber Entente-Forderung kräftigen Widerstand leistet'. Romberg-
Auswärtiges Amt, 30 October 1917, telegram, GFM 21, 354.

1. For the details of the agreement and its follow-through, see Pfenninger, op.cit., pp.70-94.

On the western front the Kaiserschlacht opened with spectacular initial success for Ludendorff's forces. Rumania's armies had been swiftly dispatched, the Ukraine gave promise (deceptively as it turned out) of solving Germany's grain problem,¹ and the value of the mark rose dramatically on the Swiss money market.² Not since the summer of 1914 had the German position seemed more promising, and their confidence in the now apparently inevitable victory was reflected in the aggressiveness of their representatives and in the harshness of their demands in the negotiations for a new agreement which began on 26 March 1918.³

The Germans set out their proposals in unequivocal terms. They demanded a 100 percent increase in the price of coal (from ca. 90 francs a ton to 180), the extension of the concept Kriegsmaterial (with its attendant export restrictions) to virtually

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1. The Germans were so confident of receiving enormous stores from the Ukraine that they assured the Federal Council that they would supply Switzerland with grain if the Allied supply was insufficient. Rumbold-FO, 9 April 1918, telegram, FO 371-3379A-67274/18. The assurance was empty as the Germans were able to extract only about 50,000 tons of grain from the tight-fisted Ukrainian peasants. J.W.Wheeler-Bennett, Brest-Litovsk, The Forgotten Peace, March 1918 (London, 1938), pp.317-18.
 2. From 64.80 Swiss francs in September 1917 to 85.10^(for 100 marks) in March 1918 when the negotiations for the new commercial agreement began.
 3. Federal Councillor Motta confessed the behaviour of the German delegates was producing 'a painful effect' on the Federal Council. Rumbold-FO, 13 May 1918, telegram, FO 382-1993-86064/18.

every product of the Swiss machine, textile, and chemical industry, the substitution of an organization in every detail like the Allied S.S.S. for the inadequate and inefficient Treuhandstelle Zürich, and the control of all goods from Allied or neutral lands passing by rail from Cette to Switzerland.¹

The Germans were determined to press home their advantage and showed themselves 'insolent' in their attitude to the Swiss with whom they felt they had 'no reason to deal tenderly'.² After six weeks the negotiations were reported to be near the breaking point as the Swiss were unable to accept the German proposals, and the Germans were indisposed to yield. The Germans maintained Switzerland was useless to them from an economic standpoint and they were showing great favour to the Confederation by continuing their coal and iron deliveries. They agreed to recede from their demand for control over traffic from Cette but remained adamant about the price, distribution,³ and use of their coal (though the powerful Swiss metallurgical industry was also urging their government to remain

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1. The Germans made this demand since they had consented to keep open the seaway to Cette for the Swiss. They therefore felt entitled to supervise the import of Swiss goods from overseas.
 2. Rumbold-FO, 9 April 1918, dispatch, FO 382-1993-67165/18. Rumbold-FO, 10 April 1918, telegram, FO 382-1993-74227/18. Baron Romberg distressed the Federal Council by deviating from his normally courteous manner. His moods became a 'daily barometer of the situation on the Western front' after the start of the Somme offensive in March 1918.
 3. German coal had been distributed by the Swiss Zentralstelle für die Kohlenversorgung der Schweiz since January 1916. This organization would now demand more precise information about the use of coal before it was released.

firm),¹ and about the establishment of the control organization analogous to the S.S.S.

At this point the French Minister of Munitions (M. Loucheur) announced to Lord Robert Cecil that the French government had decided to manifest its 'politique libérale et juste' by offering to the Swiss 100,000 tons of coal a month at 150 Swiss francs.² Although France was already 700,000 tons short and the supply from Great Britain had not yet been arranged,³ Loucheur felt this was an excellent opportunity to counter the German moves and it should not be passed over.⁴ Crowe learned privately that the French government had made the proposal to the Swiss in the hope and the belief it would not be accepted but would be used merely as a ploy in bargaining with the Germans. The French miscalculated: their offer was accepted

1. Rumbold-FO, 27 April 1918, telegram, FO 382-1993-74829/18.

2. The German price was 180 Swiss francs.

3. Entente coal arrangements had been disrupted by German submarine warfare. To avoid the dangerous voyage from Great Britain to Italy, Italian needs were supplied by France at the rate of 250,000 tons a month for which the French were compensated by the British. (Channel shipping went on as usual.) But rapid German advances in March 1918 had necessitated Great Britain's supplying France with an additional 250,000 tons a month to cover losses.

4. Loucheur-Cecil, 4 May 1918, letter, FO 382-1993-80484/18.

tentatively but 'with gratitude' by the Swiss.¹

The French proposal, made by the Chargé on 6 May 1918, was basically this. Swiss coal needs were calculated at 160,000 tons a month. Since hydro-electric power furnished by Switzerland to Germany had an energy equivalent of 75,000 tons of coal a month, the Swiss could with justice demand 75,000 tons of coal from the Germans. The French would supply the rest (85,000 tons a month) on condition that Swiss trains fetched it from French depôts.² But it soon appeared that further conditions underlying the basic proposal -- to the relief of the British government --³ prevented the Swiss from accepting it. The French conditioned their deliveries on Switzerland's rejecting all German control over the use of their coal and supplying French railways with three times the number of waggons needed to haul French coal from the pits at St. Etienne.⁴

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1. Minutes of Crowe and Waterlow, ibid. Waterlow: 'The political and blockade results of making promises impossible of fulfilment can not but be deplored. All the odium will fall on us, not the French.'
 2. Rumbold-FO, 6 May 1918, telegram, FO 382-1993-80559/18.
 3. The British Shipping Controller had found the French proposal 'most startling' and protested that no ships and no coal were available.
 4. This condition was based on the calculation that the French would have to haul British coal from the Channel ports to make up for what was supplied to Switzerland, and this would involve a journey of 600 kilometers -- three times the distance from St. Etienne to Switzerland.

The Federal Council had dispatched two representatives to Paris to discuss the offer but when the impossibility of its acceptance was realized the matter was closed by an official French declaration on 19 May that they were prepared, even in the event of an understanding between Germany and Switzerland, to continue to supply the necessary coal for firms working for the Entente.¹

With the failure of the French coal offer, the Swiss had no alternative but to sign the treaty with the Germans, which they did on 22 May.² The Germans pledged to supply Switzerland with 19,000 tons of iron a month and with 200,000 tons a month of coal at 180 francs the ton, a price rise of 100 percent. Refusing to lower their asking price in consideration of a loan the Swiss had offered enabled the Germans to bring into the Reichsbank an extra 18 million Swiss francs a month just at a time when earlier borrowings from the Swiss were falling due. Ultimately too the high price of coal, which had more than ever become a German monopoly in Switzerland, could not but bring Swiss industry increasingly under German economic domination. Switzerland in the Spring of 1918 was an ideal field for the extension of German economic imperialism.

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1. Pfenninger, op.cit., pp.109-10. The British minister in Berne criticized the Federal Council for having made clumsy use of the French offer, as it could have been a powerful weapon in their hands.
 2. Abkommen mit Deutschland vom 15. Mai 1918, EVD, KW 1914-1918, Schachteln 2 and 3. The agreement was dated a week before its actual signature.

More significantly, an organization known as the Schweizerische Treuhandstelle für Überwachung des Warenverkehrs (S.T.S.),¹ superceding the inefficient and poorly organized Treuhandstelle Zürich, was established to regulate the import and the use of all goods exported from Germany.² In every detail this new organization paralleled the Allied S.S.S., even to the extent of including syndicates in its structure,³ and gave every indication of eventually dominating the major Swiss industries, with the exception of watches and textiles. Intensive supervision of imports and exports was arranged and stricter limits within which goods could be exported to the Entente were rigorously set in augmented lists of prohibited uses for German materials (Material-und Kohlenverwendungsliste).⁴ In addition to minimizing the volume of German goods finding their way to the Entente

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1. The organization of this body is described in its final report: S.T.S. Bericht (III), pp.15-21.
 2. Austria-Hungary was not a party to the new organization. Exports from that nation remained under the supervision of the Treuhandstelle Zürich which was not officially disbanded until 17 January 1919 (two months later than the S.T.S.). A. Huber, Die Einschränkung der Handelsund Gewerbefreiheit durch das Notverordnungsrecht des Bundes (Bern, 1925), p.248.
 3. There were, however, only four syndicates (coal, metal, chemical, general), while the S.S.S. comprised fifty-one.
 4. For the export of war material a Nachweis der Materialidentität was required. Presumably it was almost impossible to obtain.

during the war, the control measures embodied in the S.T.S. by drastically reducing the freedom of movement of Swiss industry were designed to eliminate foreign competition for the post-war period,¹ (presuming, of course, a German victory) and to force the Swiss even further into the German economic orbit.

The Federal Council delayed the organization of the S.T.S. for as long as possible so that it was formally constituted and entered in the Commercial Register only on 15 July 1918.² The setting up of the syndicates took somewhat longer and only 80 of the projected 120 employees had been taken on to run daily business by the time the armistice was signed in November 1918.

The Foreign Office had been watching these developments with close but placid interest. They could do little for the Swiss in any case, and moreover with the expiration of the last few munitions contracts, the British were drawing nothing indispensable from Switzerland. The Swiss-German agreement in no way embarrassed exports to the Entente. Rumbold suggested, in fact, it would be in

1. Pfenninger, op.cit., pp.122-23.

2. Its rules are found in the S.T.S. booklet entitled S.T.S. Statuts de la Société du 15 juillet 1918. A copy is preserved in FO 382-1994-137191/18.

the British interest to supply Switzerland with as little coal as possible, since they had no need for Swiss products which were both expensive and superfluous, although some coal should be spared to maintain the independence of the Swiss metallurgical industry by preventing its falling completely under German control.¹

The blockade had run its course as far as Switzerland was concerned, and now an exact balance had been struck between the two belligerent groups. But even under strict control the major Swiss industries (except textiles) had experienced an enormous increase in productivity, agriculture was healthy,² and banking had never been better. In 1916 the balance of trade had turned strongly in Switzerland's favour for the first time in 30 years.³ The preoccupation of most of Europe with the war had enabled the Swiss to insinuate their products into areas formerly closed to them by superior competition. The Chief of the Department of

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1. Rumbold-FO, 16 May 1918, telegram, FO 382-1993-88619/18. According to Rumbold, Swiss metal manufacturers were anxious to deal with the Allies even at a loss because they saw no future in Germany where they would have to compete directly with German industries.
 2. Dr. Laur, of the Swiss Department of Agriculture, called 1918 'das goldene Jahr der Landwirtschaft'. H. Böschenstein, Bundesrat Schulthess (Bern, 1966), p.105.
 3. Exports in 1916 were valued at £97,880,000; imports amounted to £95,120,000. Guichard, op.cit., pp.209.

Public Economy (E. Schulthess) regarded the war years, all things considered, as a Zeit des Anstieges, for the Swiss economy was at the end far stronger than it had been at the start.¹ Fortunes were made in munitions, machines, and finance, and a high level of prosperity was attained (among certain classes) in spite of the restraints exercised by the belligerents.

But the benefits brought by war were unevenly distributed. Imported foods, such as grains, were, as has been explained, in short supply, the price of bread rose, and rationing had to be adopted.² There is perhaps some truth in the accusations of the radical socialists who called out the ineffective general strike on -- of all days -- 11 November 1918, that the owners waxed fat on war profiteering while the workers starved. The satisfaction afforded by a favourable shift in the balance of trade brings small comfort to a cold and hungry worker.

1. Böschenstein, op.cit., p.104.

2. Bread and flour had been rationed since August 1917. The bread ration varied between 250 and 225 grams per person per week. On 13 September 1918 an Office fédéral de l'Alimentation was formed to control the import, production, and distribution of food. S.S.S. RI p.129.

But at last it had come to an end. In the context of a German defeat the S.T.S. immediately became otiose and something of an embarrassment, so it was dissolved with all seemly haste.¹ The dismemberment of the S.S.S. took somewhat longer but was finally effected just after the signature of the Treaty of Versailles by an exchange of notes between the Allied governments and the Swiss Political Department on 12 July 1919.² The organization had served the British well and had done much to take the sting out of the astringent measures and unpleasant restrictions the British government had been forced by the war to impose on the Swiss. That Anglo-Swiss relations during the difficult years 1914 to 1918 remained friendly in spite of manifold difficulties is a tribute to the efficiency of this organization and the diplomatic skill of its creators.

1. A note from the German legation in Berne on 17 November 1918 urged the immediate liquidation of the S.T.S. The organization was officially dissolved on 10 December 1918. S.T.S. Bericht, p.26.
2. S.S.S. R.I.

CONCLUSION

As a result of the British being forced by the circumstances of the war to focus their attention on the institutions of Swiss national life, diplomatic exchange between the Foreign Office and the Political Department took place on a greater scale during the 1914-1918 period than ever before. Temporarily distracted by the war from normal great power diplomacy, the Foreign Office directed much of their energy to dealing with the smaller nations of Europe. A clearer picture of the political institutions of Switzerland and of her place in the European economic framework gradually emerged from the confusion of highly technical reports arriving daily in London from Berne, and superseded the simplistic view of Switzerland as a vassal state of Germany and Austria-Hungary suggested by rumours emanating principally from Rome in the years preceding the war. The Foreign Office thus learned to exercise their diplomacy toward Switzerland with realism and moderation. An imaginative and flexible approach to the Swiss problem, combined with a vigorous prosecution of the import control scheme, recommended British policy to the Italian and French blockade authorities as well who might have been expected by reason of their direct control over transport to Switzerland to have assumed the leading rôle the Foreign Office in fact played.

For their part, the Swiss were inexorably drawn into closer contact with the British on whom they came to depend to a degree wholly unanticipated before the war. British initiative in structuring Allied controls on the Swiss economy compelled the Political Department to have recourse in commercial matters less to Paris and Rome than to London where the real power behind the 'blockade' lay. For the Swiss too, increased contact brought deeper understanding of the British government, particularly of interministerial rivalries which the Swiss legation in London exploited with some success during the last two years of the war. That the Foreign Office became Switzerland's most powerful advocate before the Treasury and the Board of Trade's licensing committee testifies to the confidence and good will the Swiss had won through their accommodating attitude to the restraints imposed on their commerce by the Contraband Department, and to Foreign Office satisfaction with the way the blockade was proceeding.

Nor did the Swiss hesitate to make the most of their bargaining position. By playing on Allied (especially Italian) apprehensions regarding their neutrality and Allied interest in their manufacturing potential, they were able to secure, in spite of totally inadequate pre-war planning, a sufficient flow of imports from the Allies during the war. They were able simultaneously to retain the good will of

the Central Powers' governments regardless of occasional irritation at Swiss acquiescence in Allied demands.

During the war Switzerland remained peaceful, neutral, independent, and in general economically healthy. The British were confident that their policy of eliminating Central Power imports from the outside world through Switzerland had succeeded as far as was compatible with Swiss economic needs. The implementation of their policies was achieved without disturbing the traditionally harmonious relations between Great Britain and Switzerland.

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