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Autor(en): **Masnata, Albert**

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ANGLO-SWISS TRADE RELATIONS AND THE SWISS MARKET FOR BRITISH GOODS.

By Dr. Albert Masnata,

Director of the Swiss Office for the Development of Trade, Zurich and Lausanne.

A glance at Anglo-Swiss trade statistics since just before the first World War, shows that — generally speaking — the trade balance is in Switzerland's favour. This state of affairs does not of course affect the balance of payments. In 1938, Switzerland imported from Great Britain goods to the value of 95 million francs, while her exports to Great Britain were estimated at 148 millions.

Another characteristic feature of Anglo-Swiss trade, is the fact that Swiss imports from Great Britain are relatively less important — in relation to the whole of the Swiss import trade — (about 6% during the last pre-war years) than the movement of Swiss exports to Great Britain (about 10 to 11%).

These particulars seem to show that Great Britain could still further develop her share in the Swiss import trade, as we shall see.

During the last war, the volume of Anglo-Swiss trade exchanges fell considerably, as a result of all those obstacles which inevitably arise at such times. However, trade with the British Empire did not fall off in the same proportion. Even though for many years past, Switzerland has traded directly with the Empire, there is no reason why English import and export firms should not take again their part in this trade.

In the spring of 1946 an agreement concerning the transfer of payments and trade exchanges was concluded between the two countries and now constitutes the basis of exchange.

In point of fact, there was a marked revival of Anglo-Swiss trade during 1946, as revealed by Swiss statistics :

	<i>Imports</i>	<i>Exports</i>
	(in million Swiss francs)	
1945	21.5	31.6
1946	196.5	58.1

A British import licence must be obtained for Swiss commodities. The licence also guarantees payment of the goods. The list of so-called "token" imports has been recently increased. We have no intention of giving here any particulars concerning the general conditions and regulations now ruling Anglo-Swiss trade; an enumeration of this kind would involve too many technical details which can easily be obtained from British authorities or from Swiss commercial representatives in London (the Swiss Legation or the Agency of the Swiss Office for the Development of Trade).

Let us examine more closely the matter of *British exports* to Switzerland. But first, and quite by the way, we must point out that the structure of the *Swiss export trade* to Great Britain is more invariably composed of manufactured goods (90%) than its British counterpart. Watchmaking products and textiles are traditional and very important factors; machinery, instruments and chemical products also hold a good place. Swiss goods are unfortunately often considered

as "luxury goods." It is of course understandable that at certain times, a distinction must be made between "essential" and "non-essential" commodities, but it must also be admitted that, if trade is to return to normal, such discrimination must be eliminated. In effect, owing to the natural and economic conditions prevailing in Switzerland, this country's industry as a whole is characterized by its production of high quality goods. Switzerland has no natural resources and her industrial output must incorporate a great amount of labour. For this reason, Switzerland produces commodities such as watches, textiles, precision instruments, and so on, all products which are relatively high in price and small in volume.

The Swiss are therefore the first to hope that the present policy of intensifying the export trade adopted by the British Government will lead to the restoration of a standard of living favourable to the purchase of such commodities as their country can offer.

If one considers only the size of the country and its population — Switzerland has 4.3 million inhabitants, or less than half the population of Greater London! — the Swiss market will appear very insignificant. It must however be borne in mind — and the fact has often been stressed — that the Swiss market has a far greater buying power, and can absorb more, than its mere physical characteristics might lead one to suppose. On the other hand, the intense development of industrial production for export has increased the country's need for tools and machinery, raw materials and semi-manufactured products. Apart from this, the very high standard of living in Switzerland has made the Swiss buyer a heavy consumer not only of Swiss-made products, but of imported commodities also.

One or two figures can serve as a useful illustration of this point. In 1938, British exports to Switzerland were evaluated at £3,474,666 (according to British official statistics).

We have already mentioned the revival of trade which took place in 1946. The structure of the *British export trade to Switzerland* is composed approximately as follows: manufactured goods, 55%; raw materials, 35%; foodstuffs, 10%.

Some of the raw materials Great Britain can supply are of primary importance to Switzerland. With the Scandinavian countries and Holland, Switzerland is one of the most important buyers of British goods, reckoned per capita of the population. In 1938, £85.10 per 100 inhabitants was spent on British goods; in France the proportion was £36 per 100 inhabitants, in Portugal, £39, and in Italy, £13. Switzerland has long been an important buyer of quite a number of British products.

In the pre-war period, Switzerland bought from Britain chiefly the following goods: sugar, spirits, leather, paper, cotton yarns and fabrics, woollen yarns and fabrics, metals and metal goods, machinery, cars, pharmaceutical and chemical products, coal, etc.

British exporters have won a relatively important place on the Swiss market for many types of commodities, even though, it is true, they have not gained quite so important a footing as have suppliers from neighbouring countries or, for example, from the United States. Switzerland is very highly industrialized and therefore an important buyer of

machinery. In 1938, Great Britain supplied about 10% of the machinery imported by Switzerland, as compared with 50% received from Germany. As regards cars, Great Britain sent us only about 8% of the total value of imports in this field. On the other hand, British textiles held pride of place with 8% for cotton yarns and more than 30% per cent. for woollen fabrics. In yet another field of industry, before 1939 Great Britain provided Switzerland with more than one-third of her total crystallized sugar imports.

Situated as she is in the centre of the European Continent, Switzerland naturally tends to buy from her immediate neighbours. Nevertheless, for a long time past, these markets have not sufficed and Switzerland now obtains consumption goods and the industrial products she needs from far-distant sources of supply. England is not so very far away, and with modern means of communication, trade exchanges between the two countries are now much easier.

There is yet another, very special reason for which the Swiss market is now turning more and more towards Great Britain as a source of supply: Switzerland's former suppliers are now — and will be for some time to come — unable to meet the requirements of this market. Great opportunities are therefore open just now to British producers and exporters. The control on imports and custom duties do not constitute any real obstacle to trade with Switzerland and the Swiss market is well worth while studying in view of sales development.

In any case, figures show that British exports to

Switzerland have already increased in the last year. Swiss executives who used "to buy British" before the war and others who would like to contact British producers for the first time, would like nothing better than to increase their purchases from this source of supply.

The question of prices in export trade is just now a less important factor than it was before the war, because stocks must be reconstituted as quickly as possible and because the general trend is towards inflation. However, attention must be called to the fact that Swiss traders recently interviewed and who buy and sell British products (textiles, fabrics, clothing, millinery, leather goods, tools, stationery, etc.) all stated that the prices quoted by British suppliers are very high.

The Swiss market has one very particular aspect: Switzerland is not one single State, but a Federation of States, and its population is composed of inhabitants speaking three different languages — German is spoken by 71%, French by 22% and Italian by 6%. This does not mean that Switzerland is not an economic whole, nor that her people are disunited; but it does mean that there is a diversity of tastes and outlook which has an influence from the commercial point of view. It is not absolutely necessary for a firm — Swiss or otherwise — to have a separate agency for each of the linguistic divisions of the country — although this may of course be advisable for current consumption goods having a very wide sale. Foreign firms who have no permanent agency in Switzerland, but who sell there



direct to their customers or through the intermediary of travellers sent from England, must however bear this point in mind. It is a factor which also bears on all matters concerning advertising and sale organization.

The tastes of Swiss customers are very diverse and this fact may complicate British trade with this country. British suppliers should not however allow themselves to be deterred by these considerations, any more than are their French, German or Italian competitors. Although the Swiss buyer has certain particular tastes, he also has many preferences and needs in common with other Continental buyers. Of course, these tastes and needs are sometimes different from what are found in Great Britain. We cannot stress enough how important it is for British exporters to *adapt their products to their buyers' tastes and requirements*. For many types of goods this may be quite difficult to achieve, as for example in the case of surveying instruments or tools and machinery, owing to the difference between the metric system applied in Europe and the English weights and measures.

We should like our readers to consider all the points mentioned up to now concerning exports to Switzerland, and especially about the Swiss buyer, as an invitation both to make a better study of the Swiss market and to train adequately those who are expected to work for it.

As an experiment in modern export technique, we recently made a market survey in Switzerland, along "field research" lines, to establish the position of British goods on the Swiss market.

About one thousand two hundred persons all over Switzerland were interviewed in October 1946 in the course of our experimental field research. Here are a few of the general results obtained by this investigation.

The foreign products most appreciated in Switzerland are American-made — according to 66% of the answers received.

70% of the Swiss specified a few British commodities they prefer because of their origin and only 11% (5.6% of which were women) stated they refused certain products when told they are British.

Although British products are well-known, even in remote mountain villages, it is striking how little actual trade names are known to the public. For instance, retailers are almost the only people who can quote the names of manufacturers.

To resume the outstanding features of this research, it may be said that British products could easily win an excellent place on the Swiss market.

They have a reputation for quality and the Swiss have confidence in them.

Our appeal to British exporters and producers, asking them to examine the Swiss market still more carefully than they have done up to now and to take into account the considerations just pointed out, is based on an essential principle which, unfortunately, was often lost sight of during the between-war period. This principle is the following: *there is a very close connection between the imports and exports which constitute the foreign trade of any country*. The following illustration will explain our meaning: if, for example, Swiss producers can export freely to other countries, and this is one of the necessities of Swiss national economy, they will not need to concentrate on the home market or to protect it by some means or other. The same can, of course, be said for British producers.

Now that the war is over, the world is still hampered by all kinds of restrictions applied to international trade. These obstacles cannot be made to disappear all at once by the wave of a magic wand. But there must be the will to work for the return of conditions which will allow for the development of world exports and imports — in short, for the development of international trade. And, if this is to be achieved, the problem must not be viewed solely from the point of view of the interests of one country or one economic group only; the factors which rule the world economic structure must also be taken into account. Monetary problems cannot be solved unless freedom of trade is secured — and this too is essential to the establishment of a stable price level on an international basis. Currencies no longer on the gold standard not only influence prices but are, in their turn, dependent on the price level — a vicious circle from which there seems to be no escape. Furthermore, care must be taken to ensure that national economic systems based on State intervention do not form permanent obstacles to the development of trade. Even if the trade relations between Great Britain and Switzerland do only present a fraction of world trade as a whole, yet they still form a part of the more general problem of international economic organization. In effect, if the trade relations between two countries depend primarily on the particular conditions which prevail for each, they can never be viewed apart from the general development of world trade.

If we work for this aim we shall also be working for the general interests of world economy and help to bring about better conditions which, in the long run, will favour international trade.

(*Swiss Industry and Trade.*)

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